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Vol. 2

ANNUAL REPORT OF

MARKETING FACILITIES BRANCH

For the fiscal year ended June 30, 1948



UNITED STATES DEPARTMENT OF AGRICULTURE  
Production and Marketing Administration  
Washington, D. C.

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# ORGANIZATION CHART OF THE MARKETING FACILITIES BRANCH

Marketing Facilities Branch			
William C. Crow, Director			
Lucile M. Austin, Administrative Officer			
Market Organization and Facilities Division	Warehouse Supervision Division	Transportation Facilities Division	Transportation Rates and Services Division
Vacancy	H. S. Yohe, Chief	J. C. Winter, Chief	C. B. Bowling, Chief
Functions:-	Functions:-	Functions:-	Functions:-
Planning and promoting market facilities	Administering the United States Warehouse Act; and inspecting warehouses used by the Commodity Credit Corporation for the storage of certain commodities.	Studying transportation requirements; determining adequacy of transportation facilities; developing and carrying on programs dealing with transportation shortages; serving as liaison with other Government agencies on transportation problems; and conducting investigations designed to improve the utilization of transportation equipment.	Handling freight rate cases before transportation regulatory bodies in an effort to obtain equitable water, rail, and truck rates on farm products; and serving other agencies of the Department in quoting freight rates and providing other transportation information needed by such agencies in the conduct of their programs.
in assembly, terminal, and secondary markets; determining best kinds of equipment for use in handling farm and food products; making studies of storage facilities and methods; determining best methods of handling frozen foods; making studies of adequacy of storage space and conducting programs to deal with shortages; and issuing regular reports on cold storage warehouse capacity, holdings, and space occupancy, and special reports on cold storage subjects.			



## SUMMARY

### I. INTRODUCTION

The Marketing Facilities Branch of the Production and Marketing Administration is attempting to improve the physical handling of farm and food products from the farmer to the consumer through planning and promoting the establishment of better marketing facilities, better warehouse facilities, and better transportation facilities; determining where marketing, storage, and transportation facilities will be insufficient to handle the products that will move through the marketing channel and developing and conducting programs to meet such shortages; administering the United States Warehouse Act and inspecting certain warehouses not covered by the act, issuing reports on warehouse stocks; and taking necessary action to obtain equitable freight rates. The only facilities with which the Branch deals are those used in the marketing channel -- not those located on the farm. The sole purpose of these activities is to find ways to keep the costs of marketing as low as possible through improved efficiency and to make it possible to move the maximum quantity of farm and food products through the marketing channel to the consumer in the best possible condition.

The activities of the Branch are carried on by four Divisions: The Market Organization and Facilities Division, the Warehouse Supervision Division, the Transportation Facilities Division, and the Transportation Rates and Services Division. The purpose of this report is to record the more important activities of each of these Divisions for the fiscal year ended June 30, 1948. In this summary some of the highlights of the work of the year are discussed.

It should be pointed out that the work consists solely of those activities which cut across commodity lines and which therefore can be handled best on a cross-commodity basis. The market facilities that the Branch is planning in large terminal markets are places that handle poultry, eggs, fruits, vegetables, butter, cheese, frozen foods, meat, and many other commodities. Therefore, the planning of these facilities must encompass all the commodities handled within them. Freight rate actions usually involve many commodities; therefore, actions with the railroads and regulatory bodies must be handled on a cross-commodity basis. Warehouses, railroad cars, and trucks are facilities that likewise handle many different types of commodities. The problems involved in these facilities are much the same for one product as they are for another. In like manner, the kinds of equipment that are satisfactory in the handling of packages of fruits and vegetables are the same kinds that are useful in the handling of cases of eggs, boxes of meat, or bales of cotton.

All the activities of the Branch cut across commodity lines, but not all cross-commodity marketing work is carried on by the Branch. Its activities are restricted to work pertaining to the physical handling of the product and the facilities used in such handling. The Branch does not have to do with merchandising, measuring of loss and damage, packaging, market news, grading, trade barriers, and subjects that generally are considered to be in the field of the economics of marketing.



The only way by which the work can be carried on satisfactorily is through extensive cooperation with other agencies and groups that are concerned with marketing. The Branch works extensively with the State agricultural colleges, the State departments of agriculture and bureaus of markets, the State public utilities commissions, the various trade organizations concerned with the marketing of different commodities, transportation agencies, warehousemen and their organizations, city officials, civic organizations, members of the trade, farmers and farm organizations. In all the studies of market facilities and the development of plans for new facilities the work is carried on cooperatively with many of these groups. In the preparation and handling of freight rate cases with the carriers and regulatory bodies nearly all the work is done cooperatively with one or more of these groups. Similarly, all the actions in which the Branch engages to deal with shortages of transportation and storage facilities require the voluntary cooperation of the people affected. By working extensively with groups of this kind, the Branch is not only able to accomplish much more within a period of time than could be done if it worked solely with its own resources, but it is able to get many things done that otherwise could not be accomplished. The cooperation the Branch has received from these groups during the past year has been excellent, and much of the credit for its accomplishments must be shared with the cooperating agencies.

It is felt that the work of the Branch is of definite benefit to many groups that are concerned with marketing. By developing proper market facilities, getting sufficient transportation facilities to move the products and adequate storage to take care of them, assuring the proper protection of commodities while in storage, and getting equitable freight rates for transporting the products from the farmer to consumer, the Branch is giving material assistance to the farmer in expanding the outlets for his products and giving him a larger portion of the consumer's dollar than he would otherwise receive. By assisting in the best possible physical handling of these products through the marketing channel, the activities of the Branch help the consumer to obtain regularly a larger variety of food products in better condition and at lower prices than otherwise would be the case. By developing and promoting the construction of efficient facilities in which to do business, the Branch helps distributors to improve their competitive position and to operate under more desirable conditions. In planning market facilities in the various localities, aid is given the cities in arranging for more efficient food handling, alleviating their traffic problem, and maintaining or expanding the volume of business that flows through their markets. In a broad sense this work is designed to improve the operation of the private marketing system so that it may do the best possible job of distributing the products which the American farms are able to produce in such great abundance. Physical handling costs make up a large part of the total marketing bill; hence programs to reduce these costs and eliminate as many unnecessary handlings as possible constitute a large part of the job of improving marketing.



## II. PLANNING NEW OR IMPROVED MARKET FACILITIES

During the past year as a result of the passage of the Research and Marketing Act of 1946 and of the pressure for improved marketing resulting from the high cost of distribution, there has been a greater interest in improving market facilities than at any previous time. The Branch worked in planning and promoting the necessary facilities in 28 cities and production areas in 17 States. In the conduct of these studies the facilities for handling fruits, vegetables, poultry, eggs, frozen foods, butter, meat, and other products were analyzed to determine the defects in the facilities being used and to measure the amount of money that was added to the marketing cost because of each defect. The kind, size, and number of facilities needed to handle the products efficiently were determined. The report on each study showed the exact kind and size of facilities needed; the best location for such facilities and the cost of constructing them; the manner in which they should be managed and operated; rentals that would have to be charged for their use; financial arrangements that could be made; the savings that would result from operating in them, as compared with operating in existing facilities; and the benefits that would accrue to the farmer, distributor, consumer, and the locality from carrying out the recommended plans.

Insofar as possible the work conducted in each market area was carried on cooperatively with the appropriate State agency. As a matter of fact, in most of the studies undertaken during the past year State marketing people participated to some extent. In addition to this cooperation with State agencies, the work was carried on cooperatively with representatives of cities, planning commissions, civic organizations, chambers of commerce, railroads and other transportation agencies, and trade and farm groups.

The types of facilities usually included in a market plan for a particular locality are stores for the wholesale handling of fruits, vegetables, poultry, eggs, meat, butter, and other commodities; sheds with platforms underneath where farmers and truckers may sell their own products; rail sidings at buildings sufficient to meet loading and unloading requirements; warehouse facilities; refrigeration; team track yards; packing sheds; parking areas; offices; and auxiliary facilities. Figure 1 shows the lay-out of a typical market facility.

Some of the market plans developed during the year called for the building of more than 180 wholesale stores, sheds with several hundred spaces under them for farmers, and other facilities in proportion, creating in effect a new wholesale food district within a city. In other places the plan was for small concentration or assembly markets in a producing area. Some of the facilities recommended would cost several million dollars to build, whereas others would cost less than a hundred thousand dollars.

As each study is completed, but not before the formal report is published, meetings are held with the interested groups to present the



results of the study, to show the proposed facility in miniature, and to solicit the criticism and suggestions of those present. Following these discussions the formal report is published, after which the Branch continues to work with the interested agencies in finding ways and means of getting the facilities built and into operation. In no case is a new market facility recommended unless its construction would either cut the cost of distribution or increase the quantity of farm and food products that would move through the marketing channel.

Of the 28 locations in which work was carried on in 1948, 9 studies were completed, and for each a complete report of from 57 to 147 pages was published. In 5 other localities the studies had been completed, the results discussed with the interested groups, and the final reports were being written. In 11 other localities the work was at different stages of completion, ranging from a mere beginning to the completion of plans prior to presenting them to the local groups. In the 3 remaining localities, follow-up work was done in an effort to have constructed the facilities recommended in previous years. In two of the cities, markets were built during the year, while in 8 others land was bought or an organization established to go forward with the plans.

When the fiscal year closed, promotional and constructional assistance was to be continued in 14 places for which reports had been completed, bulletins presenting the results of studies in 5 other places were being written, the work in 11 other localities was to be completed and recommendations were to be discussed with the interested groups and bulletins written. Requests from 16 other localities where there seems to be a reasonable chance of getting the market facilities improved after studies have been made were awaiting action.

The benefits from getting these improved market facilities consist in reducing the cost of distribution through the elimination of unnecessary cartage and other excess handling; diminishing financial and physical losses from spoilage and deterioration; reducing the time required of farmers, dealers, truckers, and buyers in the transacting of business; and facilitating trading and proper price-making by bringing together in one area a complete line of commodities properly graded, packed, and displayed for sale, thus giving the farmer a better outlet for his products and the consumer higher quality commodities at lower prices. In areas where no market facilities exist, the needed facilities will make it possible for farmers to market the products for which their soil and climate are suited.

Brief statements of the status of the work in each of the 28 localities in which the Branch was active during the year will be found on pages 18 to 32.

During the year the Branch continued previously initiated studies to determine the best kinds of facilities for the handling of frozen foods in order to aid this rapidly growing industry. Attention has been given to determining the proper facilities for handling such foods at packing plants, in warehouses, at wholesale distributors' establishments and retail stores,



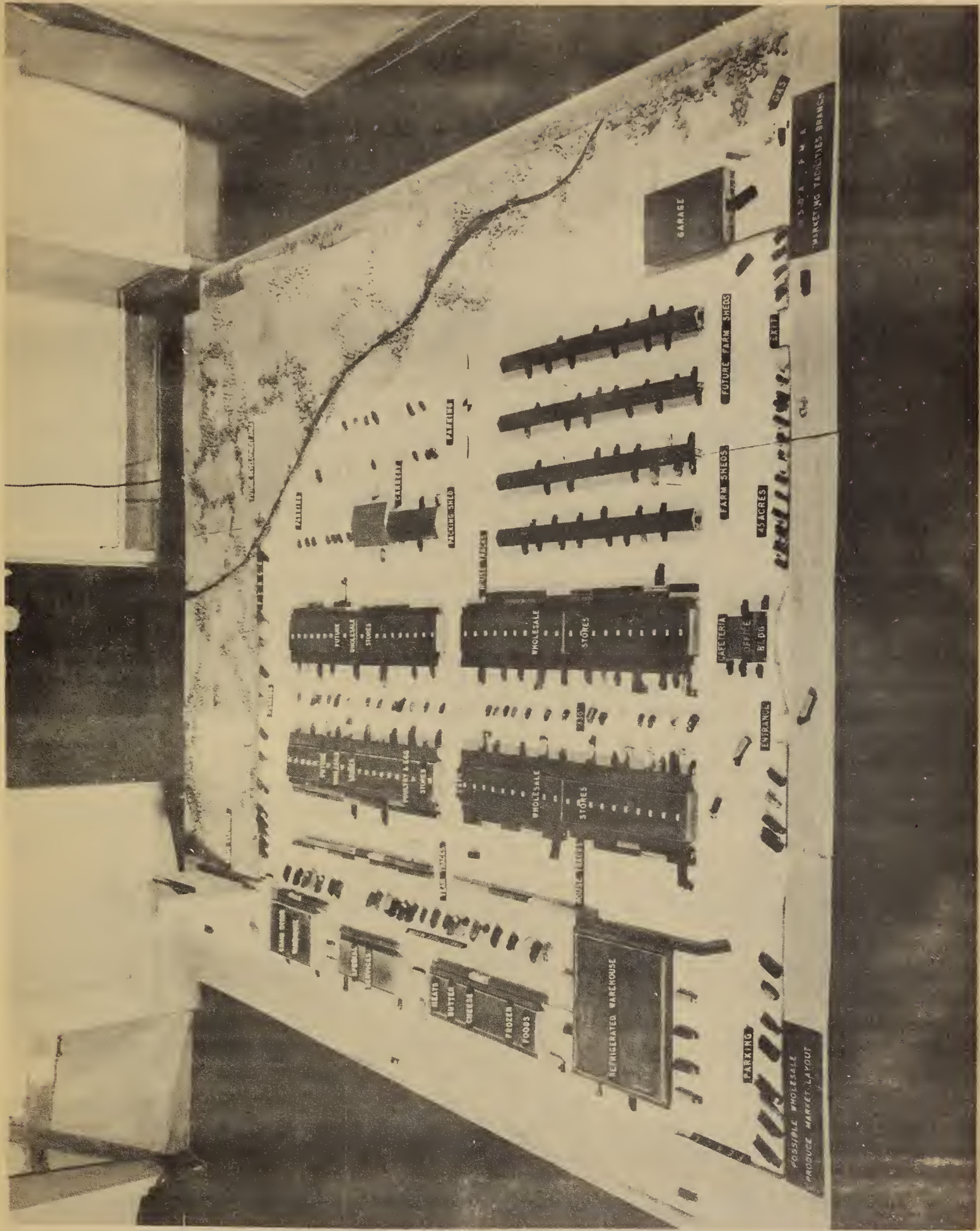


Fig. 1. - Market lay-out, by scale models, of a typical market facility.





at institutional and industrial plants, and in the home. Consideration also has been given to the place of locker plant facilities in the distribution of frozen food and to the importance of proper facilities for transporting the products. During the year about 350 distributors of frozen food in more than 40 major cities were contacted, in addition to a large number of operators of grocery stores, refrigerated warehouses, locker plants and packing plants. In this study an attempt is being made to find out what kinds of facilities are inefficient and what facilities are most efficient. On the basis of these contacts and the data gathered from them, a report is being prepared for publication which will set forth the best kinds of facilities currently being used in the handling of frozen foods and show the inadequacies of others.

### III. WAREHOUSING FACILITIES

Warehouses are among the most important facilities used in marketing because most agricultural products are seasonally produced and are consumed throughout the year. These warehouse facilities must be available in proper amount in producing areas. Without such warehouses there would be gluts on the market at harvest time, with resulting losses from spoilage, and shortages of the products at other seasons of the year which would, of course, reduce the income of farmers and the standard of living of the consumers. For this reason the Branch is concerned with the adequacy of warehouse facilities, with the quantities of commodities stored in such warehouses, and with their efficiency of operation.

The work in the storage field covers refrigerated warehouses, which store a miscellaneous line of commodities, and warehouses for the storage of only one commodity, such as cotton or grain. The problems involved in operating the facilities for storing these commodities are very similar. The proper kind of facility is needed to give the required protection, the location most economical from the standpoint of the flow through the distribution channel must be selected, the right kinds of equipment must be used within the warehouses to minimize cost of handling in and out, handling charges must be reasonable, and the right kind of supervision and use of warehouse receipts are necessary in order to make it possible for storers of products to obtain low-cost financing.

In addition to assisting in planning proper storage facilities where they are needed, the Branch has done considerable work to insure an adequate amount of warehouse space to handle the agricultural production. Investigations were made in advance of the harvest season for a number of commodities to determine in what areas, if any, there would be an insufficient amount of space. Where it appeared that shortages would occur, programs for dealing with these shortages were developed and suitable action taken to find space for those who were unable to locate it themselves. During the past year there was an adequate supply of space for the handling of most commodities so that problems developed only in the shortage of grain and of some commodities requiring refrigerated space.



The Branch makes regular surveys of the capacity in all cold storage warehouses of the country by type of warehouse, by type of space, and by area. From all of these warehouses it obtains monthly reports on the quantities of each of 87 commodities stored in them and on the amount of space occupied. On the basis of this information a monthly cold storage report is issued, and the information contained therein is widely published throughout the country and used by distributors, processors, growers, warehousemen, bankers, colleges, Government agencies, and many other groups. This report is of value not only as a source of market information on the stocks of supplies of commodities covered in it but also as a means of finding out the areas in which warehouse space is available. The Branch also cooperates with the Department of the Interior in compiling and issuing a report on the monthly holdings and freezings of fish. It issues a report each month on the production of margarine in the United States, showing the quantities produced from animal and vegetable oils and the amount of colored and uncolored margarine produced from each base.

In addition to these regular reports on warehouse capacity, space occupancy, commodity holdings in refrigerated warehouses, fish stocks and freezings, and margarine production, a number of special reports are issued from time to time. The three most important special reports issued during the past year were the annual summary of cold storage holdings of various commodities, an apple report, and a report on stocks of certain fruits and vegetables by container size. The annual summary shows the 5-year average holdings of the various commodities by regions, as well as figures for the current year. The average storage holdings in refrigerated warehouses during 1947 were the highest on record. The special apple report issued in the fall of 1947 showed where there would be shortages of storage space for apples, the extent of the shortage, and suggested appropriate action that should be taken to avoid loss of apples from inadequate storage in those areas. The report showing the quantities of certain frozen fruits and vegetables in storage by container size was prepared at the request of packers and distributors of frozen foods so that they could plan their production programs and know how much to pack in containers for ultimate disposition through retail stores to consumers and how much should go in larger packages for institutions and processors.

#### IV. STUDIES OF HANDLING EQUIPMENT

One of the principal causes of the high cost of marketing is the fact that there continues to be much unnecessary handling of products in market places, in warehouses, and to and from railroad cars and trucks, mostly by means of hand labor. During the past year studies were initiated to determine how these handling costs can be reduced through use of various kinds of labor-saving machinery, such as two-wheel hand trucks, four-wheel hand trucks, skids or pallets with lift trucks, conveyors used alone, and conveyors used in combination with other apparatus. The objective of these studies is to determine under what conditions it will pay to use each kind of equipment and to make such results known to all handlers of various packages of farm and food products. The packages included in the study during



the first year were bushel baskets of apples or peaches, 50-pound bags of cabbages, standard boxes of citrus fruits, 100-pound bags of potatoes, bushel hampers of beans or peas, crates of lettuce, lugs of tomatoes or grapes, bales of cotton, and bunches of bananas.

Time and motion studies are being conducted to measure in terms of man hours the time required to handle these packages from railroad cars and trucks into buildings and from one place to another within the building by use of various kinds of equipment and when no equipment at all is used. These studies, when completed, will show conclusively how savings in handling costs can be made through the use of the right kinds of equipment. Industry groups throughout the country are very much interested in this study and are cooperating in it. Large numbers of individual firms have written to the Branch offering their cooperation and the use of their facilities in the study. By the end of the fiscal year, 1,064 individual observations of handling the packages mentioned, with various kinds of equipment, had been made in 16 cities throughout the country. Many more observations will have to be taken during the coming fiscal year before definite conclusions and recommendations can be made. However, the results of the study thus far show that the man-hour requirements for handling various commodities not only can be reduced materially by use of the right kinds of equipment, but that considerable additional savings can also be made by users of any particular type of equipment who adopt the practices followed by the most efficient users of such equipment.

The potentialities of reducing costs of handling through proper facilities and with proper equipment can be illustrated by a comparison of two warehouses operated by the same firm. In the old facility, by the use of the traditional and most usual methods of handling, 30 man hours were required for unloading and handling a carload of a commodity which could be unloaded in 6 man hours in a new warehouse built according to the design recommended by the Branch. When the operator introduced the use of pallets with fork-lift trucks into the modern warehouse, the man hours required for unloading the commodity were further reduced to  $1\frac{1}{2}$  hours.

#### V. WAREHOUSE SUPERVISION

The Branch conducts two types of warehouse supervision activities. The more important is the administration of the United States Warehouse Act; the other is the inspection of warehouses used for storing some of the commodities owned by the Commodity Credit Corporation.

Through the 1,349 warehouses licensed under the Warehouse Act several billion dollars' worth of farm products moved last year. No storer of any of these products suffered any financial loss because of mishandling or improper storage practice engaged in by a warehouseman. These licensed warehouses included warehouses storing cotton, grain, wool, tobacco, nuts, broomcorn, beans, sirup, canned fruits, cold pack fruit, seeds, and cherries in brine.



The purpose of the Warehouse Act is to convert stored staple agricultural commodities into a form of collateral that will be generally acceptable for loan purposes and to see that the products are properly protected while in storage. In carrying out this objective two types of warehouse inspection are required: (1) An investigation of the warehouse and the warehouseman prior to the issuance of a license, and (2) follow-up examinations from time to time to check the warehouse, its contents, and the operations of the warehouseman. The original examination is made to determine that the warehouse is a proper facility for storing the product in question and properly equipped to care for and handle the product; that the financial responsibility, knowledge, and reputation of the warehouseman are satisfactory; that the employees are competent to perform their duties; and that the property is legally under the control of the warehouseman. If this original inspection shows that the applicant is satisfactory, he is issued a license. From then on, as long as he remains under license, the warehouse is inspected several times a year at irregular intervals in order to see that sufficient products of each grade are in storage to back each outstanding warehouse receipt, and to appraise the warehouseman, his operations, his financial structure, his facilities, and his dealings with the public. During the past year 4,126 warehouse examinations were performed, which meant that each warehouse was inspected an average of 3.1 times. This number of inspections per year is not considered adequate to give the necessary protection against loss, but with the personnel available it was not possible to make more inspections.

In addition to the regular inspections required in licensing warehouses and in supervising the warehouses licensed, it was necessary to investigate several problems that arose during the year in order to improve the administration of the act and to take the necessary steps to prevent any irregularities from developing. These investigations included: (1) Studies of tariffs, their form, and need for changes; (2) an analysis to determine the proper way of handling overflow grain which could not be stored in the country elevators; (3) a check on insurance coverage to make certain that it was sufficient; and (4) an investigation of certain solicitations of grain on the basis of an offer of free storage.

During the year meetings were held with eight different groups of licensees in different parts of the country for the purpose of discussing with them problems that have arisen under the act and ways of making the supervision more effective. Not all problems, of course, were solved at these meetings, but many were and a better understanding of the others was reached.

Throughout the year the Branch received applications to license additional warehouses as well as to license additional space in warehouses already licensed. Requests came in for the licensing of peanut warehouses in North Carolina and Virginia and of canned goods warehouses for the handling of Florida citrus fruits. These commodities are already on the eligible list for storage under the act. In addition, requests were received to place on the eligible list entirely new commodities such as seeds, clover, and alfalfa meal. These requests have merit, but it is not seen how



these increased demands can be met as long as the Branch is unable to give as frequent supervision as is considered necessary to the warehouses already under license.

During the year the Branch received from warehousemen operating under the act an unusually large number of letters pointing out the benefits that they are deriving from the act. The principal benefits stressed were savings in interest rates, as compared with the rates that would have to be paid if the warehousemen were not licensed, the ability to borrow money practically anywhere at home or abroad with the warehouse receipts as collateral, the reliance of fire insurance companies upon the records of Federal warehouse inspectors to determine losses in cases of fire, the protection afforded the product against loss, the improved housekeeping and operational practices in warehouses licensed under the act, the assurance that the periodic inspections give the owner of the warehouse when all aspects of his operation are in order, and the effect that the act has in bringing proper quality products into storage.

In addition to the supervision of warehouses licensed under the United States Warehouse Act, the Branch rendered certain inspection service, on a reimbursable basis, of warehouses used by the Department in storing some of its own commodities. On the request of the Shipping and Storage Branch, warehouses that that Branch proposed to use for storing certain commodities handled by it for the Commodity Credit Corporation were inspected during the year. Such examinations extended to both the facilities and the commodities stored in them. The facilities were inspected to see that they were of a character adequately to protect Government property against spoilage and deterioration, and that they were operated by competent and experienced management. Every 60 days examinations were made of the warehouses in which these products were stored for the purpose of determining that the facilities had not deteriorated, that the commodities stored were in good condition, and that the actual inventory in the warehouse agreed with the quantities that were supposed to be there. Any irregularities that were found in these warehouses were immediately reported to the Shipping and Storage Branch so that corrective measures could be taken. Under this program, commodities were stored in about 600 warehouses scattered throughout the country. The products were: Processed fruits, vegetables, dry skim milk, dried eggs, frozen eggs, meats and meat products, fish, flour, dry beans, cereals, cheese, and potatoes. As far as possible this service was rendered out of the same offices that are engaged in the administration of the Warehouse Act in order to minimize the cost of this program.

In October 1947 the Branch was assigned some responsibility in connection with the inspection of about 600 wool warehouses storing wool for the Commodity Credit Corporation. It prepared a comprehensive report form, which was placed in the hands of the State Chairmen of the Production and Marketing Administration, who in turn assigned to Agricultural County Committeemen the job of examining the warehouses and obtaining the information called for on the form. The reports were mailed to the Branch, where they were reviewed. Recommendations were then made to the Livestock Branch



as to whether or not the warehouses, on the basis of the reports, seem to meet certain standards laid down by representatives of the Corporation. In addition to reviewing these reports submitted by others, the Branch employs three persons who devote their full time, and three others who spend part of their time, in making spot checks on the warehouses. Copies of their reports with their recommendations likewise are transmitted to the Livestock Branch, which has the responsibility for taking any corrective action that is necessary.

## VI. TRANSPORTATION FACILITIES

Heavy demand for all types of goods and services during the past year continued to place heavy strains on the transportation facilities of the Nation. The strain was especially heavy on the railroads, where there have been shortages of cars, limitations upon service to shippers, uneconomical delays in transit, and retention of some wartime controls over the use of equipment. Although the building of new freight cars during the year increased, the number of serviceable cars owned by Class I railroads continued to decline because of greater retirements of worn-out cars. Only in recent months has the number of new cars exceeded the number of cars retired. At the present production rate of between 9,000 and 10,000 cars of all types per month, the net gain in car supply is expected to remain at about 3,000 cars per month. At that rate it will take a long time to obtain any substantial increase in the number of cars available for service.

On June 1, 1948, Class I railroads owned 694,115 serviceable boxcars, as compared with 695,937 a year earlier and 729,322 on the same date in 1943. The total railroad and private ownership of refrigerator cars on June 1, 1948, was 132,554, as compared with 133,557 a year earlier. Of the present fleet of approximately 1,736,000 cars of all types, more than 30 percent is now over age, and will have to be replaced in the next few years. To sustain the high levels of production and distribution of agricultural products of the past year, it will not only be necessary to replace the worn-out equipment but also to increase the number of cars in service, particularly boxcars and refrigerator cars. This increase will be necessary to bring an end to the repeated shortages and the uneconomical marketing delays they create, to permit the reduction of minimum loads per car to normal levels in order to minimize loss and damage to products, and to permit the restoration of prewar reconsignment privileges and provide the widest possible outlet for farm products.

Heavier production and sales of motortrucks aided in relieving some of the pressure on railroads during the past year, as did the reopening of some water transportation service which had been discontinued during the war. As a matter of fact, truck transportation facilities and some water transportation facilities, such as the facilities for moving grain on the Great Lakes, may be considered as generally adequate, but some prewar water transportation service has not yet been restored, particularly coast-wise steamship operation.



In view of these conditions most of the work on transportation facilities during the past year was for the purpose of determining in advance where shortages of railroad equipment that would interfere with the marketing of agricultural products were likely to develop, and developing and carrying out programs to prevent or alleviate these shortages. Illustrative of this type of work was the program for handling grain. A record crop of wheat in 1947 placed an extraordinary burden upon the railroads. Preceding the harvest the Branch conducted a survey of transportation and storage facilities in each of the major wheat-producing States. Obtaining estimates of production by crop reporting districts in each State, it calculated the approximate amount of farm and country elevator grain-storage capacity that would be available at harvest time to care for the new crop, and determined the approximate amounts that would have to be moved by railroads to other areas in order to prevent spoilage. The results of this survey were made available to and discussed with the individual railroads affected, the Association of American Railroads, the Interstate Commerce Commission, and the Office of Defense Transportation. As a consequence, exceptional efforts were made by the railroads to store ahead of the harvest as many boxcars as possible in the critical areas. In the Southwest, for instance, 17,000 cars were placed in position before the crop started to move. After the harvest began, weekly reports showing the transportation and storage situation in each county of each State where conditions were critical, were obtained through the State Offices of the Production and Marketing Administration. These reports showed for each county the amount of grain yet to be harvested, the amount on the ground, and the number of cars needed. Armed with this information the Branch worked with the railroads in clearing up the most serious situations. Toward the end of the grain season, in response to an urgent appeal from the Chairman of the Northwest Grain Transportation Committee, members of the Branch worked with the railroads to obtain sufficient boxcars for shipping grain into Duluth in order to load all available Lake vessels before navigation closed, thus taking advantage of economical Lake carriers and relieving the railroads.

Although the most serious shortages of transportation equipment during the year were of boxcars, there continued to be seasonal shortages of refrigerator cars for the movement of perishable products from certain production areas. In order to anticipate these shortages, the Branch continued to determine in advance the requirements for refrigerator cars by areas and commodity groups, which information was made available to the railroads, shippers, ice manufacturers, the National Refrigerator Car Advisory Committee, and the Government agencies having authority to regulate the use of transportation equipment. Again this year, a representative of the Branch served as the Department's representative on the National Refrigerator Car Advisory Committee and as the liaison officer with the Office of Defense Transportation and the Interstate Commerce Commission in car supply matters.

In addition to these more general studies and actions to meet over-all transportation shortages of boxcars and refrigerator cars, the Branch was called upon to take many actions dealing with car shortages in



particular areas. Appeals for assistance came from farm groups, trade representatives, market organizations, shippers, other branches of the Production and Marketing Administration, and other agencies in the Department. In all these appeals for assistance the pertinent facts were obtained, and they were brought immediately to the attention of proper officials of the railroads or other responsible transportation agencies. As a result, in most cases it was possible to obtain the necessary relief before production was interfered with or marketings were seriously hindered. Assistance, for example, was given in obtaining gondola cars for moving limestone for fertilizer from plants in Tennessee and Virginia, boxcars for moving rice and cotton in the Southwest, refrigerator cars for moving potatoes from the late-producing States, boxcars for moving containers to canning plants in the Pacific Northwest, and equipment for moving sugar beets to and from the mills in the sugar-beet producing area. In order to aid in dealing with emergencies, work was done in the preparation of priority lists for use during the coal strike in the spring of 1948 and during the embargo which had to be placed on railroad movement in New York and New England during the severe January and February snowstorms.

In response to the recommendations of the Transportation Advisory Committee, set up under the Research and Marketing Act of 1946, a study was undertaken during the latter part of the year to determine the extent of car delays, their causes, and their prevention. As of the end of the year records had been obtained on the movement of more than 10,000 cars loaded with agricultural commodities, and additional data were still being collected. These data are being analyzed in order to determine where the delays occurred, over what routes, and in what terminals; why they occurred; and what could have been done to prevent them. In addition to analyzing these data, this study will seek to determine how delays in the use of equipment can be reduced by interchangeability of equipment, by making better use of reciprocal switching, and in other ways. As the conclusions of the study are reached, they will be presented to the carriers concerned and to the Association of American Railroads in an effort to obtain a voluntary correction of the conditions.

## VII. TRANSPORTATION RATE ADJUSTMENTS

Because of continued rising costs of operation on the part of railroads and water and motor carriers, these transportation agencies endeavored to get general rate increases for all commodities hauled. The transportation rate specialists of the Branch worked to hold these increases at as low a figure as possible and still leave for the carriers a fair return on a fair value of their property investment over and above their costs of operation under economical management.

In order to make certain that the rate increases were no greater than necessary, members of the staff made very extensive studies of the prospective traffic volume of the carriers and prospective revenues and expenses in order to be on reasonably sound ground as to what earnings specified increases would produce.



In addition to a number of these general rate increase cases in the various transportation fields, a large number of cases were handled concerning rates and services for transporting individual commodities or groups of commodities. At one time during the year the Branch was handling 52 different transportation rate actions simultaneously--an over-extension of the resources available for this work. This meant that in an attempt to get equitable rate adjustments in as many places as possible, the rate specialists were not able to do as effective a job in the handling of some of the individual cases as they would have liked. The greatest handicap was in the lack of sufficient help to keep up-to-date on the carriers' general financial position and the prospective volume of traffic to be handled by them. As a result, the Branch was unable to prepare for the hearings in the general rate increase cases until a case had been formally docketed, which meant that the material of the Production and Marketing Administration had to be hastily assembled, while the carriers had had extensive time to prepare their side of the case carefully. Even so, the Branch assembled all the data it could, analyzed it, prepared the most essential exhibits, and presented this material before the regulatory bodies. It worked closely with farm and trade organizations, State departments of agriculture, and State public utilities commissions. Through such cooperation the task was divided among as many participants as possible, thus cutting down the workload on each. Never before has the Branch had better cooperation from State agencies and farm and trade groups than during the past year.

During the year the Branch participated in 121 formal proceedings before the various transportation regulatory agencies and in addition worked directly with the carriers in a number of cases in an effort--successful many times--to obtain the desired results without resort to formal actions before the regulatory bodies. The savings in transportation charges resulting from actions participated in by the Branch during the fiscal year are estimated to be about \$190,000,000.

The most important single case participated in during the year was the one in which the railroads sought general increases in their rates amounting to 41 percent for a part of the country and 31 percent for the remainder. Although transportation rate specialists of the Branch realized that operating costs of the railroads had increased substantially because of increases in wages and cost of materials, their examination of the carriers' financial position and the prospective traffic to be moved convinced them that increases of the amount requested were not justified. They therefore prepared estimates of traffic volume, railroad revenues, expenses, and the probable rate of return that would result from various percentage increases in rates. They then requested the Interstate Commerce Commission to have full and complete hearings to determine the needs of the railroads. At these hearings they presented extensive testimony to support their position that so great an increase was not required. The National Association of State Public Utility Commissions gave most valuable help. It employed special technical assistants for this case and assigned them to work with the Branch in the preparation of material and testimony and in the handling of the case. Representatives of farm organizations,



cooperative marketing associations, processors, and distributors, as well as State departments of agriculture, also cooperated in this case. At one meeting, called to prepare for the case, more than 125 transportation experts from 24 States were present. The Branch not only participated in the initial and closing hearings in Washington, but was also represented at the seven regional hearings in different parts of the country. Instead of granting the 31- to 41-percent increase sought by the carriers, the Interstate Commerce Commission authorized, first, an increase of 10 percent, which was later increased to from 20 to 30 percent, depending on the part of the country affected, the Eastern territory being the only area granted more than 25 percent.

In addition to trying to hold these general increases as low as possible, the Branch attempted to have certain limitations fixed on the size of increase granted on certain agricultural commodities, as, for instance, where the full percentage increase would have resulted in special hardships on growers, tending to retard the flow of commodities from producing to consuming areas. These limits to the size of the increase which it was successful in obtaining included 11 cents per hundred pounds on cotton, 22 cents per hundred pounds on fruits and vegetables, \$1.60 per net ton on fertilizer and fertilizer materials, 33 cents per net ton on limestone and marl, \$1.20 per net ton on phosphate rock, and 20 cents per hundred pounds on sugar and vegetable oils.

As the railroads were granted rate increases to meet their increased operating costs, the trucking lines subject to Federal control of rates requested authority to increase their rates by about the same amounts. The Branch opposed the granting of these general increases to trucking lines simply because railroad costs of operation have increased, and insisted--often successfully--that full and complete hearings be held to determine what increases, if any, are necessary for the trucking lines. In an attempt to obtain hearings of this kind extensive exhibits were prepared and presented to the Interstate Commerce Commission to show that groups of trucking lines requesting the large increases were already earning, over their expenses, from a 20- to 30-percent rate of return on their investment. In submitting these exhibits, it was pointed out that in view of the large rate of return already being earned, the steady growth that the trucking lines had been able to make out of earnings, and their generally good financial position, no increase in trucking rates seemed to be necessary. In a few cases hearings were held; in others, the increases were allowed to go into effect and hearings were called for some future date. In many cases however, such hearings either were not held or were called off after they had been announced.

In addition to trying to keep the level of truck rates as low as possible to yield a fair return on the investment, the Branch has devoted a great deal of time during the past year toward trying to clarify the question as to when the trucking of agricultural commodities is subject to rate and route control of the Interstate Commerce Commission and when these operations are exempt. The Congress, in enacting the Motor Carrier Act, exempted from the rate and route control provisions private carriers and the



trucking of agricultural commodities (not including manufactured products thereof). In order to get the widest possible distribution of agricultural commodities, which, of course, is desirable from the point of view of both the farmer and the consumer, it is necessary, particularly for perishable commodities, to have as flexible a transportation system as possible. The number of trucks needed to move products from a given producing area varies considerably according to season, and in order to find outlets for the products, these trucks must literally move to every point they can reach. Hence it is felt that the exemption of agricultural products from route control was a desirable action. Furthermore, in the trucking of these products competition has acted as a very satisfactory regulator of rates.

Over the years in its administration of the act, the Commission has issued a number of rulings which have constantly tended to cut down the scope of the exemptions on farm and food products. To illustrate, it has ruled that if a truck hauling agricultural products hauls some non-exempt commodity for pay on a return trip, the entire operation of the trucking line, including that part of the operation in which only agricultural commodities are hauled, is subject to the rate and route control of the Commission. Furthermore, it has held that the pasteurizing of milk; the beheading of shrimp; the cracking of corn; and the washing, cleaning, and packaging of fresh vegetables in cellophane bags or boxes place such commodities in the ordinary channels of commerce and remove them from the class of unmanufactured agricultural commodities, thus keeping them outside the scope of the exemption established by the Congress. The net result of these rulings is that the trucking of more and more agricultural commodities is being brought under the rate and route control. As a result of this rather confusing situation the Branch made a formal request of the Interstate Commerce Commission that a hearing be held for the purpose of more clearly establishing the dividing line between agricultural commodities, the hauling of which is exempt from the rate and route control of the Commission, and those which are not exempt. The Commission granted this request and announced a general investigation concerning the scope and applicability of agricultural commodity exemptions.

As the year closed, the Branch was preparing necessary evidence to submit at the hearings to clarify this point. Cooperating in this undertaking are a number of farm and trade organizations and State officials. The courts have supported the view that the Commission has gone too far in cutting down the exemption on the hauling of agricultural commodities. A Federal court in Louisiana ruled that the beheading of shrimp does not convert shrimp into a manufactured product, as stated by the Commission. A Federal court in Georgia ruled that a trucker hauling cotton does not lose his exemption while he is hauling cotton by virtue of the fact that at some other time he hauls a commodity which may be subject to Commission control over rates and routes.

In addition to the rather extensive actions of the type just described, there were many specific actions during the year on each of the following commodities: Fruits and vegetables, fertilizer and fertilizer materials, cotton, grain and grain products, livestock and livestock



products, dairy and poultry products, wool and mohair, tobacco, and fish and fishery products. Discussions of the nature and results of the most important of these cases will be found later in this report.

As the carriers have well-trained people to present their side of a case to regulatory bodies, it is, of course, important that some agency such as the Branch, which knows the problems of agricultural marketing, as well as transportation regulatory policy, be able to put into the hearing record information that will adequately present the side of the farmer and the shipper. Otherwise, the regulatory bodies will not have a complete record because individual farmers are not in a position to appear before such bodies to present their own cases. Without a complete record the regulatory body is handicapped in reaching the proper decision as to what the rate structure and rate level should be. Thus, in these rate adjustment matters it is considered the function of the Branch to assist in getting complete evidence before the regulatory bodies. No attempt is made to go beyond this presentation of evidence on the side of farmers and shippers, because in carrying on this work the Branch does not have, nor does it seek, any privileges that are not accorded to all other participants in the cases before regulatory bodies.

#### VIII. MISCELLANEOUS TRANSPORTATION ACTIVITIES

In addition to the work designed to get equitable freight rates and an adequate supply of transportation facilities, the Branch during the past year carried on a number of miscellaneous activities in the transportation field. During the year 43,490 freight rates were compiled and furnished, upon request, to 35 offices and agencies within the Department. This information was needed by these agencies in carrying on their programs. The rates quoted were chiefly on fertilizers, fertilizer materials, limestone, marl, seed, grain, cotton, nursery stocks, fruits, vegetables, livestock, dairy products, wool, farm implements, tractors, trucks, office equipment and supplies, and household goods. This work was done in carrying out the function of serving as a central source of rate information for all the agencies in the Department.

For the last 3 years the Branch has cooperated with the Association of American Railroads, the refrigerator car lines, the fresh fruit and vegetable industry, and others in designing an all-purpose refrigerator car that would give adequate protection to frozen foods as well as to other perishable commodities. Tests have been conducted from various shipping sections of the country to markets in the eastern part of the United States of various types of refrigeration, ventilation, and heater service. In last year's report mention was made of the test on an iceless refrigerator car which, without moving parts, was able to maintain a zero temperature inside the car with outside temperatures of 90° Fahrenheit or higher for a 10-day period. During the past year a report of this test was published. One of the large refrigerator car lines is now constructing eight new cars equipped with this new system of refrigeration to be used as a pilot operation in order to determine its economics and efficiency.



As in former years, the Branch prepared for the Department Production Goals Committee a statement analyzing transportation prospects for the coming fiscal year, to be used in the determination of crop goals. This report reviewed the situation as to prospective supply of freight cars, trucks, and boats, and pointed out the types of equipment that are likely to continue to be in short supply and where trouble spots are likely to arise during the coming year.

During the year several activities, in cooperation with other agencies of the Government, were engaged in, with a view to improving the statistics available on the transportation of farm and food products. Recommendations were made to the Bureau of the Census as to the form and content of questions concerning transportation to be included in the census. This was done through the Panel on Motor Transport Statistics of the Federal Committee on Economic Statistics. As a member of the Interagency Advisory Committee on Aviation Statistics, a representative of the Branch collaborated in drafting recommendations for the gathering of statistics on air transportation. Representing the Department on the Transportation Subcommittee of the Interdepartmental Committee on Standard Industrial Classification, the Branch assisted in the reclassification of transportation companies for the forthcoming revision of the Standard Industrial Classification.

In the fall of 1947 one of the Division Chiefs of the Branch was named to serve on the interagency committee headed by the State Department to review the requirements for materials and equipment needed for the rehabilitation of Europe under the European Recovery Plan. As a member of this committee, he gave particular attention to transportation conditions and requirements in the countries participating in the plan.

Upon request of the Joint Committee of the Congress on the Economic Report, the Branch submitted on behalf of the Department testimony urging that the Congress extend transportation priority over railroads, which power had been delegated to the Office of Defense Transportation, in order to assume the prompt movement of essential foods, seed, farm supplies, and perishable commodities. That recommendation was adopted by the Congress, and the priority powers of the Office of Defense Transportation over railroads was extended, as recommended, to expire on June 30, 1949.

At the request of the Subcommittee on Procurement and Buildings of the Committee on Expenditures in Executive Departments of the House of Representatives, the Branch prepared a statement and submitted testimony on the transportation work it has been doing, the reasons for the work, and an outline of how it is done.



## MARKET ORGANIZATION AND FACILITIES DIVISION

### I. INTRODUCTION

The functions of this Division are to develop plans for the proper market facilities in producing areas and terminal and secondary markets and to promote the construction of such facilities; to determine the kinds of materials-handling equipment that will bring about the greatest reduction in marketing handling costs; to determine whether there are adequate warehousing facilities for handling farm and food products and to develop and carry out programs to meet shortages of such facilities; to determine warehouse capacity and issue regular reports on the quantities of various commodities in warehouses; and to compile and issue monthly reports on the production of margarine.

In the areas where farm products are produced, facilities are needed to assemble the products from the individual farms and prepare them for shipment to distribution centers. Such facilities usually consist of rather inexpensive buildings in which the products may be assembled, washed, graded, packed, and sometimes processed before loading them into cars or trucks for shipment to distant terminal markets. Where adequate facilities in the producing areas are lacking, farmers may be deprived of an outlet for products which they are capable of growing, or available outlets may not yield them the proper return. On the way to terminal markets many of the products must be stored for varying periods of time so that they can be fed into consumer channels more evenly throughout the year. For this reason, suitable warehouse facilities are needed in proper locations. When the products of the farm of one producing area reach the large terminal wholesale markets along with those from many other producing areas, their tremendous quantities create handling problems. It is extremely important that suitable facilities exist in order to prevent deterioration and spoilage, avoid any unnecessary costs, and encourage as many buyers as possible to come to the market for supplies.

Products have to be unloaded from cars and trucks, handled from one place to another within buildings, and reloaded into railroad cars or trucks for movement to the next place in the marketing channel. The personnel of this Division study these facilities in the various markets of the country and determine which kinds perform the marketing operation most efficiently. Their findings make it possible to reduce the cost of handling and expand the outlets for farm and food products.

Following is a brief discussion of the most important activities of the Division during the last year.

### II. TERMINAL MARKETS

It is in the Nation's terminal markets that the largest quantities of food are brought together in one place. Important markets usually

receive supplies from nearly all the 48 States, and it is there that the prices of farm and food products are established. That they function efficiently is therefore highly important.

It is common knowledge that in many of these large markets the facilities are not efficient. The facilities for the wholesale handling of perishable foods, in particular, are generally antiquated and overcrowded. Frequently, instead of having a unified market where a complete line of products can be obtained, one type of commodity is handled in one part of the city, and another type of commodity is handled in another part. This leads to much cross-hauling and other expense. Sometimes supplies arriving by one railroad are sold in one market district, supplies arriving by another railroad in another, and supplies arriving by truck in a third. In many of the large cities supplies arriving by rail cannot be delivered directly into wholesalers' warehouses because the railroads stop short of the market district. Traffic congestion is commonplace. Many trucks bringing supplies to the market district or going there to haul them away cannot get near buildings to load or unload, and considerable portorage is necessary. Often the store buildings are not large enough to accommodate the commodities which should move through them, and they lack proper refrigeration and handling facilities properly to protect the commodities. These are a few of the defects of the Nation's terminal markets which will have to be corrected before the Nation can have a truly efficient marketing system.

A major activity of this Division is to develop and promote the construction of efficient market facilities in terminal markets. In order to determine defects, studies are made, upon request, of the conditions prevalent in a particular city or other market. Conclusions are reached as to the design, size, and type of facility that will serve most efficiently. Estimates are made of the cost of constructing it and of the savings that would result from operating in it. Definite recommendations are made to all the groups concerned in a particular market, and following the presentation of the report continued assistance is given until the market facilities recommended have been constructed and put into successful operation.

During the past year the Division has had requests for assistance in planning terminal markets in 12 cities. With the staff available for this work it has been possible to complete only a few of the necessary studies, although State and local people have rendered material assistance in the work carried on. Following is a brief statement on the status of the work conducted in each of the terminal markets during the year.

A. Dallas, Tex.

For a number of years representatives of the Division have worked with officials of Dallas and trade groups in an effort to develop a proper wholesale produce market to serve that area. A large building to accommodate farmers was completed in 1942, and a similar second large



building in 1945. A 16-store unit section of a much larger building, begun in early 1947, has been completed in the last few months. During the last year Division representatives have consulted with local officials on the construction and designing of facilities pursuant to plans developed in previous years.

Because market construction in Dallas has been piecemeal, the city has requested the Division to survey its market problems in order to determine the adequacy of existing facilities and assist in planning future ones. At this date it has not been possible to make the detailed survey requested.

B. New Haven, Conn.

A detailed survey of the wholesale produce market of New Haven was completed and published in December 1946. The report recommended that a new market be built on a 37-acre tract known as the Boulevard playground site. A few months after the report was issued, this site was procured for park and playground development. As a result of this action, the trade and other market interests have found it necessary to look for a new site. The Division has been consulted concerning the advisability of utilizing another site, and requested to make services available at such time as the development takes place. As a result of the survey made for the city by the Division, representatives of the trade and others in New Haven have become deeply interested in the development of new facilities and recognize the savings that may be realized.

C. Hartford, Conn.

A report of a survey of the needs for market facilities in Hartford, Conn., was published in January 1948. The plans provide for a completely new and relocated wholesale market for the handling of all kinds of perishable foods. During the year the staff worked with members of the Connecticut Regional Market Authority and city and trade groups in an effort to conclude the acquisition of land, the movement of power lines, and other activities preliminary to construction. Arrangements for financing have been completed and a site purchased. It appears likely that construction will be started in the near future.

D. Richmond, Va.

A survey in Richmond was completed, and plans developed for a wholesale food market center to handle all types of perishable farm and food products. A report of the findings of this study and its recommendations was made to the Richmond Marketing Authority and local trade groups. Recommendations were accepted in their entirety, and plans are under way for financing and building the market.



E. Columbus, Ohio

In February 1948 the final report of a survey of the market facility needs in Columbus for handling produce at wholesale was released by the Marketing Facilities Branch of the Production and Marketing Administration in cooperation with the College of Agriculture of Ohio State University. Although the market interests in Columbus are in agreement that the wholesale market is defective and a new one is needed, as recommended in the report, the problem of what to do with the land and buildings in the present market has not been solved. Recognizing that this problem is one that can be solved only by local people, a committee, including property owners of the market, real estate people, and city and county planners, has been established to undertake the solution. The Division's staff has consulted with the committee in an effort to assist.

F. Houston, Tex.

A survey of the needs for market facilities for handling fruits, vegetables, meats and meat products, poultry, eggs, dairy products, and certain other commodities at wholesale in Houston has been completed. The final report is available for distribution. During the last week of September 1947 the preliminary report was presented to the wholesale trade groups, farmers, Chamber of Commerce, and other interests. It recommended a new market at an estimated cost of about \$1,500,000, to be erected at one of three proposed sites. The plan provided for 49 store units for dealers in fruits and vegetables; 8 store units for dealers in meats; 4 store units for dealers in poultry and eggs; and 4 store units for handlers of wholesale grocery items and other products. Scale models were used to show a design of each recommended facility and a lay-out of the market (fig. 2). It was shown that the proposed facility would result in an estimated minimum saving of \$270,000 per year over and above the cost of amortizing the investment in the facilities. The market would consolidate the three wholesale markets of Houston in one area.

After the presentation of the preliminary report, the wholesale trade interests of Houston formed a nonprofit private corporation, and among themselves they have created a substantial fund. They are now in the process of acquiring one of the three market sites recommended as suitable for the market development. In recent weeks representatives of the Division discussed with the trade interests certain problems in connection with the market development. Further consultation with these groups will take place in the course of the acquisition of the site and in the development of the market. It is likely that the building of this market will start the latter part of 1948.

G. St. Louis, Mo.

During the last year a survey looking toward the complete relocation and rebuilding of the wholesale food district of St. Louis

was made. In November 1947 a preliminary report was presented to wholesalers, farmers, railroad representatives, city and State officials. The report recommended that a new wholesale market should be developed on one of four available sites in the city. When the preliminary report was presented, a lay-out of the market as recommended was set up, by use of scale models, in the American Central Fruit Auction (fig. 3).

The report showed that on the basis of 1946 wholesale prices the value of produce handled in the present market was in excess of \$100,000,000 per year. Defects in the existing market, such as inadequate store buildings, lack of rail connections to stores, lack of farmers' and truckers' facilities, narrow streets, serious traffic congestion, divided market facilities, lack of market organization, and long marketing hours, were pointed out. The report recommended the building of 140 store units for fruit and vegetable dealers; 36 store units for poultry and egg dealers; 8 store units for a specialty firm handling chiefly poultry and eggs; and restaurant, office space, and other facilities needed to provide a complete market for St. Louis. A design of each facility was included in the plan.

A study of about four or five of the items of cost that would be affected by the construction of a new market in St. Louis was undertaken. It was estimated that more than \$1,000,000 could be saved per year on such items as portorage, cartage, spoilage, and deterioration by the construction of the proposed market, even after making a reasonable allowance for increased rentals in the new facility.

The report recommended that a nonprofit private market corporation be formed to plan, finance, build, and manage the market. Since the presentation of the preliminary report in November 1947, the trade group has elected a committee of 10 tradesmen, with openings for farmer representation, to develop a market corporation as recommended. Division staff members are consulting with the market interests in these developments.

#### H. Norfolk, Va.

A survey of the needs for wholesale market facilities for the handling of fruits, vegetables, poultry, eggs, and other products in Norfolk is in the final stages. This study was undertaken at the request of Norfolk County Potato and Vegetable Growers Association. The wholesale trade has been very much interested in the survey and has cooperated fully. All trade groups have been given full consideration in order to determine their facility needs.

The compilation of data concerning the market and a study of suggested market sites are under way.



# AERIAL VIEW OF POSSIBLE MARKET LAYOUT BY USE OF SCALE MODEL

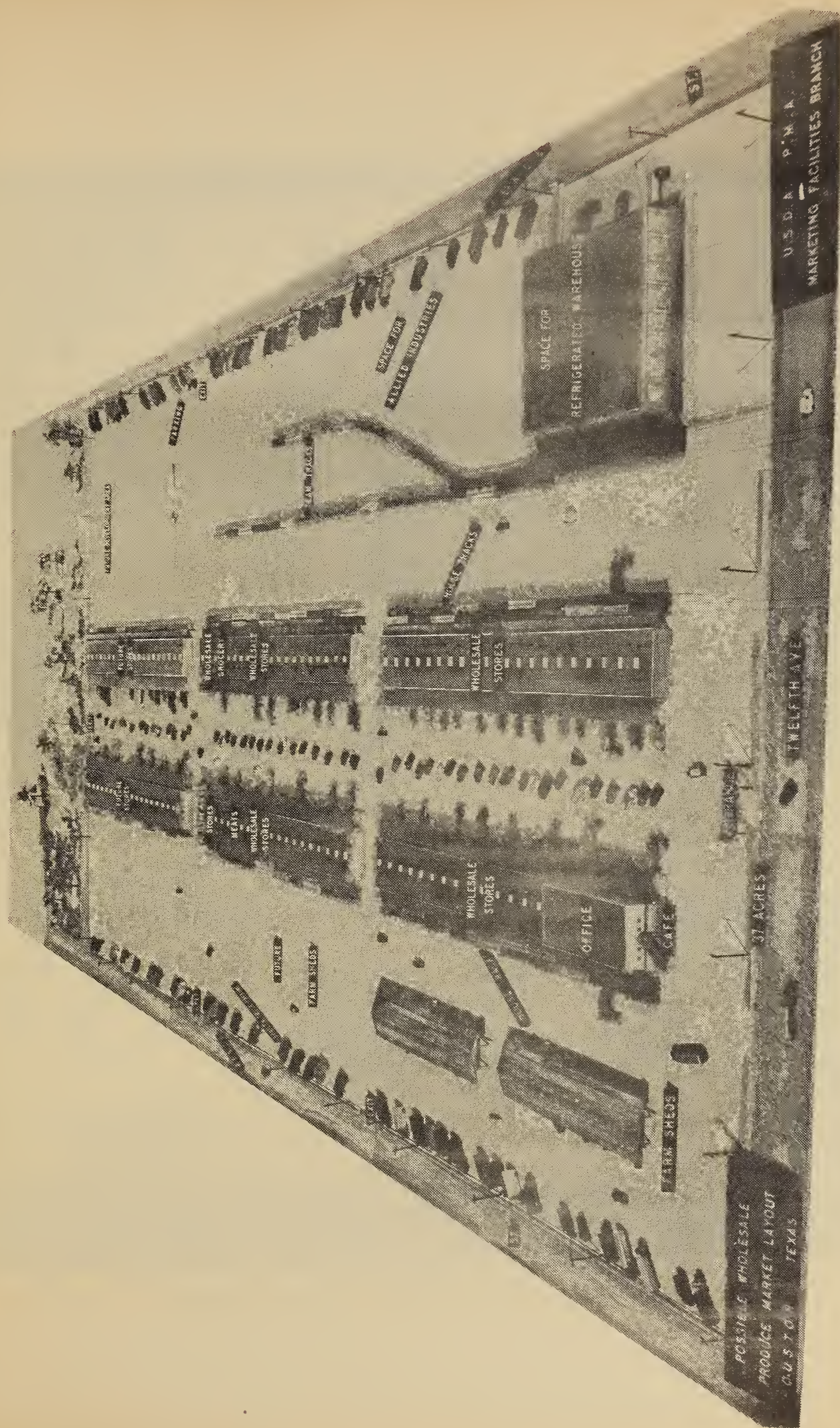


Fig. 2. - Proposed market lay-out, by scale models, Houston, Tex.













I. Baltimore, Md.

At the request of the Market Committee appointed by the Maryland State Planning Commission a survey of the needs for wholesale market facilities for fruits, vegetables, poultry, eggs, meats, dairy products, and other produce in Baltimore was begun recently. The Commission was directed by the 1947 Maryland State Legislature to make a study and report on the needs for the improvement of the Baltimore market. The Market Committee requested the Market Organization and Facilities Division to make the study for the purpose of determining: (1) Present defects in the market; (2) the kind and number of facilities needed; (3) the cost of such facilities, excluding land; (4) the type of financing needed; (5) the savings that might be made from the market development; and (6) who should build and manage the market.

The survey of the wholesale market is well under way, and a preliminary report is to be made to the Market Committee in July 1948. The final report must be in the hands of the committee by September 1, 1948, in order that it may be made available to the State Legislative Committee by October 1, 1948, as requested.

J. Milwaukee, Wis.

A committee for the Milwaukee Marketing Authority has requested that the kinds and number of market facilities needed in that city be determined. Representatives of the Division have met with this committee to discuss the details of the study, and the Department of Agricultural Economics of the University of Wisconsin has agreed to cooperate. The necessary legislation has already been enacted in Wisconsin setting up the marketing authority as a nonprofit public corporation.

K. Indianapolis, Ind.

The wholesale fruit and vegetable trade of Indianapolis has requested that a survey be undertaken to develop plans for a new wholesale produce market in that city. Representatives of the Division have met with the interested groups, and work was just beginning at the close of the fiscal year.

L. Cleveland, Ohio

A survey of the needs of the City of Cleveland for a new city-owned retail market was completed during the year in cooperation with the College of Agriculture of Ohio State University. This study was undertaken at the request of the Mayor of Cleveland and was designed to determine whether a new retail market could be made self-liquidating, what type of market and number of facilities are needed, and where the new market should be located.

A review of the problems of the building of a new retail market by the City of Cleveland was completed, and on May 25, 1948, a report

of these findings was made to officials of the City Planning Commission, Department of Design and Construction, and the Commissioner of Markets. In this report it was shown that a market could be built for a total investment of less than \$900,000 and liquidated within a period of 25 years from market revenues, provided the roof and basement parking space could be leased to a private operator for an annual rental of \$28,000. It was also pointed out that the needed annual revenues could be reduced by around \$15,000 if the city would make allowance for a major part of the value of the land and facilities of the existing market, which sum is to be raised for a highway development.

Cleveland officials are reviewing the preliminary plans, upon completion of which the final report will be prepared and presented orally in Cleveland.

#### M. Other Requests for Market Studies

The Chamber of Commerce of Waco, Tex., has requested that a survey be made of the Waco wholesale produce market. It is anticipated that the Division will be able to work with the market interests of Waco during the next fiscal year to determine the need for a wholesale market survey in that city.

Division representatives have continued to consult with the State marketing interests of Massachusetts and trade interests of Boston for the purpose of assisting them in their effort to improve the wholesale produce market in Boston and other cities in Massachusetts. The State marketing and trade interests have drafted legislation to facilitate studies of produce markets in Massachusetts, and consulted with the Division staff concerning these plans. A complete study of the market poultry situation in Boston will be made as soon as possible.

Although officials of Toledo, Ohio, have asked that a study be made of the wholesale produce market of Toledo, the trade was not sufficiently interested in a survey to make it advisable to undertake the work during the past fiscal year. However, if interest increases, work may be undertaken during the fiscal year 1949.

The Division has continued to work with the State market interests and the marketing people of New Orleans in an effort to effect improvements in the wholesale produce market of that city. Currently, there is a proposal to introduce a bill in the next State Legislature to create a State market authority and a State board of markets.

### III. CONCENTRATION AND SECONDARY MARKETS

Another major activity of the Division is that of conducting studies, planning facilities, and promoting the construction of concentration and secondary markets in specific localities.



Concentration markets, as the term implies, are the markets where farm products are concentrated or assembled in marketable volumes either directly or indirectly from the farms where produced. They may be in rural areas or in cities. When they are in a rural area, it is usually one of commercial production. In this case, the markets are sometimes referred to as shipping point markets, and practically all receipts are shipped out either by rail or by motortruck to more distant markets. When they are in cities, concentration markets may also provide a source of supply for local consumers, thus taking on some aspects of a terminal market. However, a majority of the receipts of city concentration markets move out to more distant markets. City concentration markets may be either in areas of production or along trunk rail and highway lines between the more important areas of commercial production and the relatively heavy consuming centers.

Secondary markets are frequently referred to as jobbing markets; that is, on such markets jobbers and other dealers obtain the majority of their supplies from wholesale receivers on a wholesale concentration or terminal market located either in the same city in which the jobbing market is located or in a nearby city, rather than directly from the area of production. Jobbing markets are found in some of the larger cities where retail grocers and other buyers will patronize them in preference to the wholesale market because of existing conditions and regulations in the wholesale market. They are also found in the smaller cities where the volumes required for local consumption are insufficient to warrant carlot receipts.

In a number of areas throughout the United States no market facilities exist for assembling, grading, packing, selling, and shipping the farm products produced therein. In a number of other areas market facilities are inadequate and inefficient. Moreover, in many places where facilities are adequate, producers are unable to obtain a satisfactory cash price for their commodities because of lack of competition and other factors. The establishment of new concentration markets where needed and the improvement of existing markets of this type should reflect greater returns to the producers and facilitate the adjustments in production which have proved to be sound and desirable. In addition, consumers should benefit by having available through such markets better quality products at more equitable prices. Trade groups, such as shippers, distributors, and other dealers, would also have more efficient places in which to operate.

Improvements are also needed in the secondary markets in a number of cities in order to minimize handling costs and enable those who operate on such markets to handle efficiently complete lines during all seasons of the year.

During the past year, in response to requests from State and local marketing people, city officials, and others, the Division has given assistance to 16 cities and areas in the development and promotion of market plans. Eleven similar requests could not be met during the



year because of personnel limitations. In the 16 cities and areas where work was initiated or continued during the year, the projects are in various stages of completion. A statement covering the status of each project follows.

A. Jackson, Miss.

A completely new wholesale market facility, patterned along the lines the Division recommended in its final report issued in June 1946, has been constructed at Jackson, and is in partial operation. The market will be formally opened on July 31, 1948. Figs. 4 and 5 show two views of the market, known as the Mississippi Farmers' Central Market.

Financed by the State of Mississippi, the approximate cost of the new market, including the value of the land set aside for market purposes by the State, is \$1,000,000. The market will be operated by the State Central Market Board, which was created by legislative authority in February 1946. The membership of the Board is made up of the Commissioner of Agriculture, one wholesale produce dealer, one retail grocer, one fruit and/or vegetable producer, and one poultry and/or egg producer. The market has: (1) A store building containing 24 units for wholesale dealers; (2) two sheds for farmers and truckers which are divided into a total of 50 stalls; (3) a poultry processing plant; (4) a packing shed; (5) an office building containing space for a restaurant and barber shop; (6) parking area for motortrucks; (7) paved streets; and (8) a fence which surrounds the entire market site.

Personnel of the Division have continued to collaborate during the year with the State Central Market Board and the Market Manager on problems in connection with the construction program, and have assisted in the development of regulations and policies concerning market operations.

B. Trenton, N. J.

A city-owned and -operated farmers' retail market has for a number of years provided the principal outlet in Trenton for local produce. As a result of highway plans, which necessitated the moving of the market from its old location, and because of the apparent need for more space in the market area, city officials decided to discontinue operations, whereupon a farmers' cooperative was organized to construct and operate a new market.

At the request of officials of the New Jersey Department of Agriculture technical assistance was provided in planning a lay-out for the new market on a site that had previously been purchased by the cooperative. Assistance was also given in redesigning the sheds acquired by the cooperative from the old city market and in designing new sheds to be constructed when needed and when financing can be arranged. During the year the old sheds were moved to the new location.





Fig. 4. - Aerial view of the Mississippi Farmers' Central Market, Jackson, Miss.







Fig. 5. - Mississippi Farmers' Central Market, Jackson, Miss.





Although the new market does not provide any more shed space than was available in the old city market, wider streets, a larger parking area for buyers' automobiles, and improved lights should materially reduce traffic congestion, attract more buyers, and facilitate trading on the evening market.

Space is available on the new market site, should the need develop, for the construction of additional sheds and for stores for Trenton jobbers, who obtain their supplies principally from Philadelphia markets.

C. Atlanta, Ga.

In August 1947 the final report of the Division's study of the Atlanta wholesale produce markets was released. It set forth recommendations for remodeling and expanding the present wholesale market, which is the largest wholesale market for perishables in the Southeast. One of the principal recommendations made was that the State Farmers' Market, which was constructed in 1941, should be reorganized and expanded as the central wholesale produce market for the city.

To provide adequate facilities for such a market, it was further recommended that 12 acres of land adjacent to the State market be acquired and that 58 new wholesale store units, all with direct rail connections, be initially constructed.

Because of the legal difficulties encountered in an effort to acquire the land adjacent to the market and because of its relatively high appraised value, the management of the State Farmers' Market is currently utilizing a 4-acre section of the present market site for expanding existing facilities. This site in the past has been used as a parking area for motortrucks. New facilities under construction include 11 units in store buildings, a shed with approximately 60 stalls for farmers and truckers, a canning plant, and an auction block. In view of the fact that a part of the 12-acre tract recommended for expansion is now being developed by private enterprise, future improvement plans on the State Farmers' Market provide for the acquisition of the undeveloped section for the construction of additional store units.

D. Miami, Fla.

Although no construction had been started at the end of the year, detailed plans and specifications for facilities to be constructed had been completed and arrangements made for financing their construction. One store building, containing 30 units with direct rail connections parallel to the rear platform, is the first new facility to be constructed under the improvement program. In addition, the existing sheds for farmers and truckers are to be moved and remodeled. It is expected that a contract will be let for the construction of the new facility as soon as leases can be obtained from prospective tenants.

As recommended in the Division report, released in March 1947 and adopted by the management of the Dade County Growers' Cooperative Marketing Association and the owners and operators of the Miami market, one additional store building, containing 15 units and a combination office building-restaurant, will complete the initial construction program.

Following the release of the report, the Division has continued to work with the Miami market management on technical problems that have arisen in bringing the market-improvement program into reality.

#### E. Baton Rouge, La.

A study of the Baton Rouge marketing system for fruits, vegetables, poultry, and eggs was completed, preliminary meetings were held with the interested groups, and a report was published in February 1948. This project was conducted jointly by the Marketing Facilities Branch, the Louisiana State Market Commission, the Agricultural Experiment Station, and the Agricultural Extension Service at the request of the Baton Rouge Junior Chamber of Commerce.

The report points out that at present Baton Rouge has no wholesale produce market or market district and, as a consequence, no place where farmers and truckers can assemble their produce to offer it for sale. In view of the defects of the present marketing system in the city and the interest of different groups in correcting these defects, it was pointed out that the establishment of a new and modern market facility might be feasible provided State and local groups were willing to subsidize its operations until such time as it should become a going concern. Three sites that might be used for the market were suggested.

It was recommended that, in the beginning, only part of the facilities be constructed at an estimated cost of \$101,442, and that their construction depend on obtaining satisfactory leases. It was estimated that about \$200,000 would be required for carrying out all the recommendations.

Two meetings were held in Baton Rouge before the release of the report, for the purpose of presenting a summary of the preliminary findings, conclusions, and recommendations and to obtain the comments and suggestions of local groups. The first of these meetings was with the Junior Chamber of Commerce and the second with trade groups, farmers, consumers, and public officials. In the meetings scale models were used to illustrate the kinds and number of facilities recommended and the most efficient arrangement on one of the sites considered. Following the meetings, conferences were held with various local groups for the purpose of discussing the follow-up work needed and of making suggestions with respect to a course of action that might be followed.

After release of the report three bills were introduced in the State legislature to implement the market program. These bills provide



for: (1) The enactment of enabling legislation under which public benefit corporations could be created to build a market; (2) the setting aside of State-owned land for market purposes; and (3) an appropriation for market construction programs. These bills had not been acted upon at the end of the fiscal year.

#### F. Benton Harbor, Mich.

The Benton Harbor market is located in an important fruit and vegetable producing area and is one of the larger shipping-point type of markets of the country, handling 7,498 carloads of fresh fruits and vegetables in 1946 which are valued at \$9,361,540. In response to a request from the market board, a study was made of existing facilities and a final report published in June 1948.

Recommendations for market improvements include: (1) The enlarging of the selling area to provide 14 selling lanes and 7 traffic lanes (thus accommodating approximately twice as many vehicles as can be accommodated in the present area), and the construction of curbs or raised safety islands between lanes; (2) the construction of new buyers' sheds to contain a total of 280 stalls, each stall to be 10 feet wide and 20 feet deep; (3) the enlarging of the parking area for motortrucks; and (4) the relocating of the retail section of the market in a different section of the market area. A proposed lay-out for the market on its present site, by the scale models, is shown in figure 6.

The estimated cost of constructing the new facilities recommended is \$336,815. The cost of additional land needed at the present location and the cost of placing land currently owned in shape for building is estimated at \$246,200, bringing the total cost of land and improvements to \$583,015. Some of the funds needed for financing the program are already available, and the market board plans to go forward with the construction program as rapidly as possible.

#### G. Columbia, S. C.

A study requested by the Mayor and City Council of Columbia of the produce markets in that city has been completed, and the report will be available for distribution early in fiscal year 1949.

Columbia is an important concentration point for products grown over a wide area, and its markets handle roughly seven times the quantity of produce that normally would be handled in a city of its size. This means that about 85 percent of those commodities are distributed to more distant markets and consuming centers.

The market recommended consists of 34 modern store units, 20 of which should have direct rail connections. The three permanent-type sheds on the present city market should be moved and remodeled to provide 120 stalls for farmers and truckers. In addition, a parking area should be provided with space for parking a total of 450 motor vehicles.

Market streets should be not less than 110 feet wide and paved to stand up under heavy traffic. Space should be provided in the market for a public refrigerated warehouse, but its construction should be deferred until some future time. Until such warehouse is constructed, consideration should be given to the use of one or more store units for semi-private cold storage. The entire market area should be enclosed with a substantial fence with gates at all entrances. The cost of constructing the facilities needed now and of paving the market streets is estimated at \$573,354. To provide adequate space for present needs and for future expansion, it was recommended that a site containing between 30 and 35 acres be acquired. Four new sites were considered.

A summary of the preliminary report was presented to and discussed with the Mayor and City Council at a conference in Columbia in November 1947. The conference was followed by a meeting with growers, truckers, wholesalers, retail grocers, and other groups, in order to present a summary of the recommendations and obtain the reaction to the proposals made and comments of those in attendance. Scale models were used to show the kind of market recommended (see fig. 7) and how it might be laid out on one of the sites considered in the report. Plans are now being developed for constructing a new wholesale market, in accordance with the proposed plans, as soon as financing can be arranged and a site acquired.

#### H. San Antonio, Tex.

A study has been made of the wholesale produce markets in that city. It was recommended that approximately 80 acres of land be acquired for a new market, one-half of which would be needed immediately for the initial construction. The plans called for 60 wholesale store units; 300 stalls under sheds for farmers and truckers; a combination shed to be used for grading and packing, and for icing; offices; parking area for motortrucks; team tracks; and paved streets. The cost of constructing these facilities was estimated at \$1,929,784, and five sites were suggested for consideration.

A summary of the preliminary recommendations was presented to the Farm and Ranch Committee of the Chamber of Commerce at a meeting in February 1948. This meeting was followed by a similar meeting with growers and trade groups. Moving toward the construction of a new wholesale produce market the growers, truckers, and wholesalers have taken preliminary steps to organize a nonprofit private market corporation, obtained options on a site, tentatively arranged for financing the acquisition of land and the construction of facilities, and obtained pledges for a majority of the funds that must be raised locally to finance the project. The Division is continuing to work with San Antonio groups in promoting the construction of the new market facility.



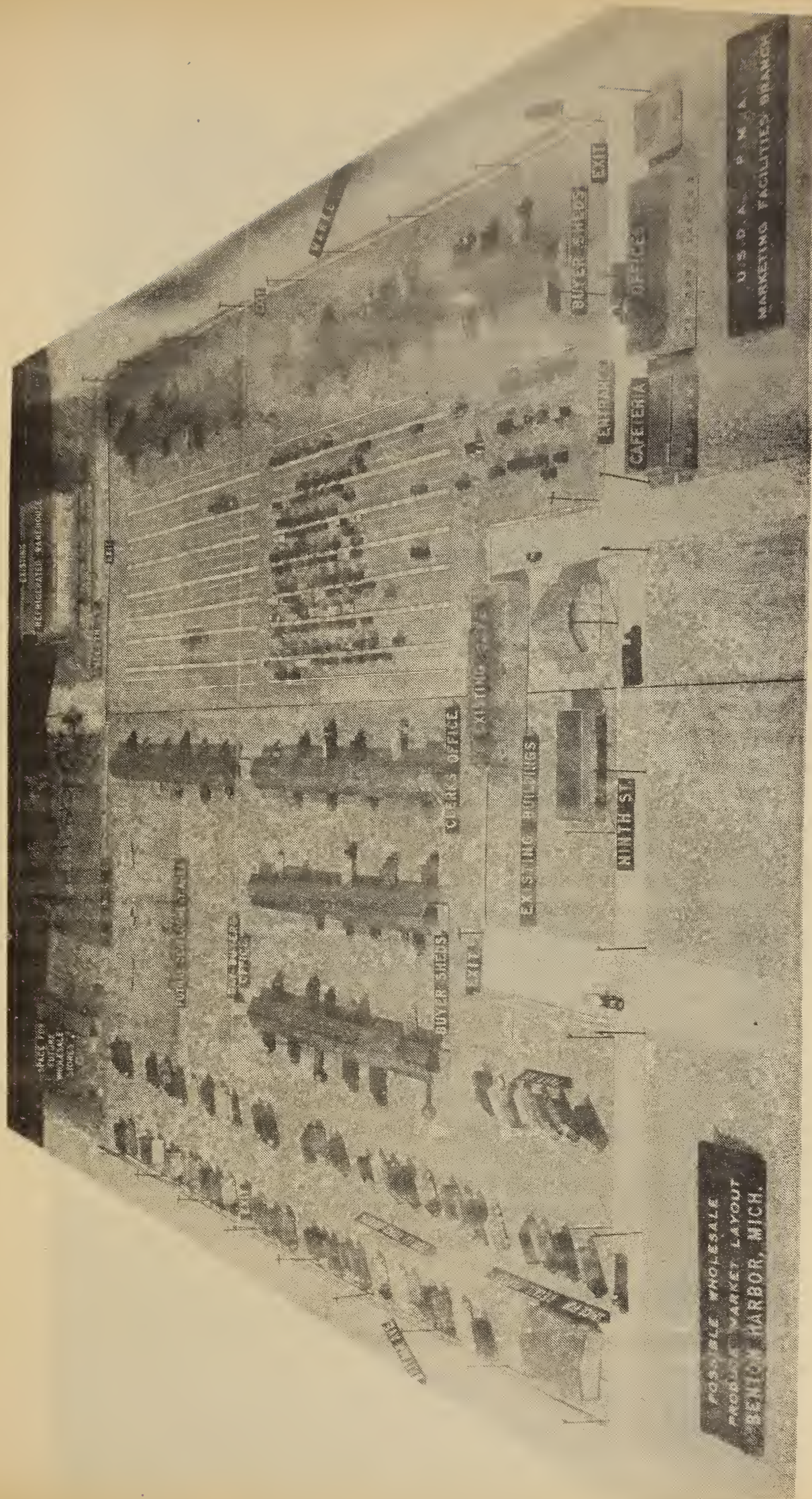


Fig. 6. - Proposed market lay-out on present site, by scale models, Benton Harbor, Mich.







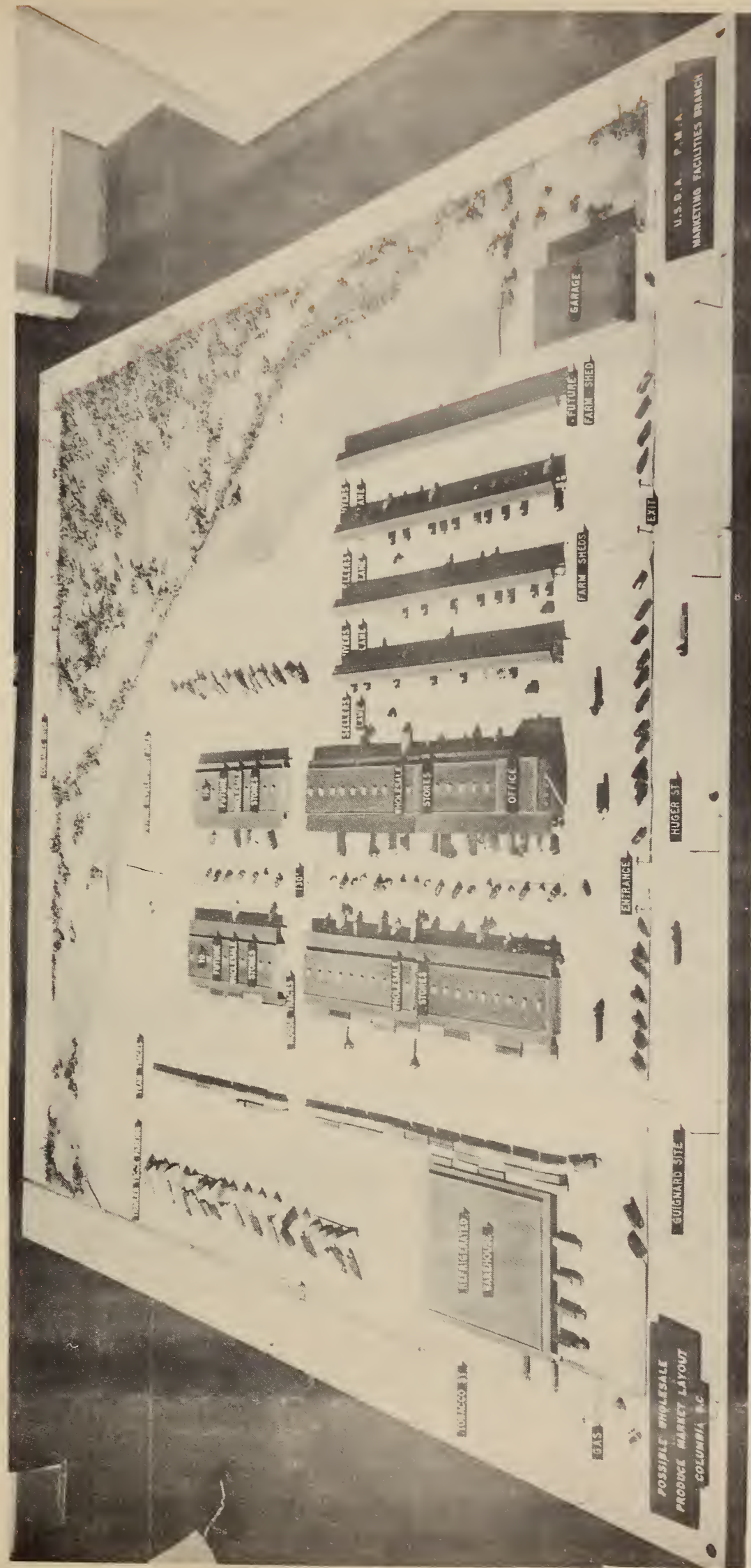


Fig. 7. - Possible market lay-out, by scale models, on the Guignard property at Huger and Tobacco Streets, Columbia, S. C.





I. Tampa, Fla.

The Tampa market report, released in April 1947, recommended that the Tampa Wholesale Produce Market, one of the existing markets, be developed as the central market for the city. Although this program has been deferred because of current construction costs, the Division has continued to work with the market management in an effort to obtain action at the earliest possible time.

J. Greenville, S. C.

At the request of the Greenville County Farm Bureau, the Chamber of Commerce, and local officials, a study of the Greenville wholesale fruit, vegetable, poultry, and egg market has been initiated. The field work on the study has been completed, and a preliminary report is being prepared for presentation to the local people.

K. Leesburg, Fla.

At the request of State officials, a study has been made to determine the need for a market for fruits and vegetables at Leesburg. A preliminary report has been submitted to local groups, and the final report is now being prepared for publication.

The study shows that a market at Leesburg would need to draw supplies from both Lake and Sumter Counties, in order to have a volume of business large enough to operate successfully. There is an existing market at Webster that is now handling about one-half of the vegetables produced in Lake and Sumter Counties. During the last 10 years attempts have been made to establish two additional markets in the Lake and Sumter Counties area, but each of these ventures has failed because production in the two counties is not large enough to support two markets. The report shows that Leesburg is the most logical location for the development of a market for the two counties, but it is recommended that the groups in the area who are interested in the project agree to consolidate their activities at one location before a new market is established in Leesburg.

L. Little Rock, Ark.

In January 1948 a study of wholesale produce markets in Greater Little Rock was inaugurated at the request of the Chamber of Commerce and the Arkansas Economic Council. This study is being made in cooperation with the Agricultural Experiment Station, the Agricultural Extension Service, and the Bureau of Research - all of the University of Arkansas - and the Arkansas Resources and Development Board. Field work on the study had been completed at the end of the fiscal year.

The wholesale produce business in Greater Little Rock is currently split between four markets or market districts. A preliminary

analysis of the data assembled indicates that three of the existing markets can and should be supplanted with a new market having more adequate facilities for all users and which will provide for the efficient handling of all kinds of produce.

M. Melbourne, Fla.

At the request of State marketing officials, a study has been made at Melbourne. No formal report will be published on this study because an analysis of the data collected shows that production in the area is not sufficient to support a market, and that there are already available there market facilities to meet the needs of the growers. The results of this study have been presented to the State marketing officials.

N. Raleigh, N. C.

In response to a request from the Mayor and City Commission, a study of the Raleigh City Market was inaugurated in June 1948, in cooperation with the State Department of Agriculture and the Agricultural Experiment Station. Data assembled thus far are incomplete and fail to give any indication as to the needs for market improvements. It is expected that field work will be completed in August 1948 and a preliminary report prepared by the first of the calendar year.

O. Savannah, Ga.

At the request of city officials and a local farm organization, a study of the Savannah wholesale fruit, vegetable, poultry, and egg market has been initiated. This study is being conducted in cooperation with the Georgia Agricultural Experiment Station and Extension Service. Most of the field work has been completed, and a preliminary report for presentation to the local people is now being prepared.

P. Tyler - East Texas Truck Area

At the request of the Heart of East Texas Agricultural Council, a study has been initiated to determine the need for a market for fruits, vegetables, poultry, eggs, and miscellaneous perishable commodities in the vicinity of Tyler and Jacksonville, Tex. A conference has been held with officials of the Agricultural and Mechanical College of Texas, looking toward their cooperation in the study and development of recommendations for market improvements. Most of the field work on this study has been completed, and an analysis of the data and information collected will be made during the coming fiscal year.

Q. Other Requests for Market Studies

Requests for assistance in planning concentration or secondary markets in 11 cities and areas were received during the past year that could not be met during the year.



#### IV. REFRIGERATED WAREHOUSING AND

##### FOOD--HANDLING FACILITIES

The function of refrigerated facilities in preserving farm products is an indispensable part of our Nation's food distribution system. Many of the products grown on the farm are so perishable that without controlled temperatures they can be kept for only a short time without spoilage resulting. There are in the United States today more than 1,800 refrigerated warehouses, having some 650 million cubic feet gross cold storage space that can accommodate over 5 billion pounds of food at one time. The Division issues a monthly report on the capacity, utilization of space, and holdings in these warehouses, with respect to 87 items; and special reports as the need arises.

The processing of foods into frozen form is a newer use of the refrigeration principle. In an industry expanding as rapidly as the frozen food industry has, much information is needed to determine how frozen products can be handled in the most efficient manner. Therefore, to assist this industry in realizing its many potentialities as soon and as effectively as possible, the Division has undertaken studies designed to ascertain the best frozen food marketing facilities.

##### A. Cold Storage Reports

###### 1. Regular reports.

a. Monthly cold storage report. Some 87 different items are now incorporated in the Monthly Cold Storage Report. Figures assembled relate to the amount of space occupied each month in all classes of warehouses--public, private, semiprivate warehouses, meat-packing plants, and apple houses. They also present total stocks and Government-owned stocks. An effort is made to obtain complete coverage of warehouses, the number of which has increased from about 1,300 in 1922 to 1,800 today.

Data are obtained by questionnaire from the warehousemen on a voluntary basis. The report, when compiled, is released in mimeographed form at 2 p.m. on the 15th of each month. This release, varying from 18 to 21 pages in length, contains an analysis of monthly holdings, trends and comparisons with previous records, a number of graphic presentations of current data--figures on occupancy by States, major cities, and regions which are reported as to the class of business the warehouse is doing--and tables on total holdings of fresh fruits and vegetables, dairy and poultry products, fish, meats, and Government-held commodities. Regional holdings for all commodities are given, and State holdings are shown for dairy and poultry products.

The compilation of the data has to be made with the greatest possible accuracy. At the same time, deadlines must be met. Every schedule returned by warehousemen is carefully edited for any errors.

Where any question arises, confirmation or correction of figures is obtained by letter or wire.

When the cold storage figures have been tabulated and compiled, a release is wired to some 65 branch offices of the market news service of this Department, located in the leading market centers. The report is published in these offices at the same time it is made available to the press in Washington. The value attached to these reports is indicated by the large demand for them and the prominence with which they are featured in the press and trade publications. The report is distributed to the public by three principal means: direct mailing from Washington, D. C.; release through area Production and Marketing Administration Information Service offices; and inclusion of cold storage information in commodity market news reports. Distribution through these outlets are approximately as follows:

Direct mailing of published report. . . . .	28,000
Release through Area Information Service offices. .	7,536
Annual total of commodity market news reports	
with cold storage information . . . . .	280,524
Total distribution. . . . .	<u>316,060</u>

Reports are mailed directly from Washington only upon specific request. Additional information is supplied upon special request to persons desiring more detailed data. Any person or firm not located in Washington or in cities where branch offices exist may, upon request, receive the reports or any part of them by telegraph, charges collect. As an illustration of the extent of distribution through the information offices, a check with the Chicago office shows that it releases the monthly report received by wire to:

- 3 wire news services -- UP, AP, and INS
- 6 daily newspapers
- 3 trade papers
- American Meat Institute
- Omaha National Bank
- 313 farm, trade, industry publications and associations
- 8 State Commissioners of Agriculture
- 8 extension editors
- 96 PMA commodity branch representatives

Most States do not have reporting requirements covering cold storages. An effort has been made, therefore, to supply any State agencies requesting it with information on storage holdings in that State. Such information is being supplied monthly to New York, Virginia, and Texas. Cooperative arrangements have been made to improve the returns from some States having reporting laws. Such arrangements have been made with New York, Virginia, Massachusetts, Vermont, and Connecticut. This cooperation seems to have proved mutually beneficial to the State concerned and the Federal Government.



b. Fish report. The Division is cooperating with the Fish and Wildlife Service of the Department of Interior in compiling a report on monthly holdings and freezing of fish. The results of the monthly surveys were incorporated in the Cold Storage Report during the fiscal year.

c. Margarine report. The Division continued to publish its monthly report covering the total production of oleomargarine in the United States. This report, based on reports received from all producers, is of special value because it makes information on oleomargarine production available at least a month sooner than it could be obtained from any other source. It shows the quantity of oleomargarine produced from animal and vegetable oils and the quantity of colored and of uncolored produced from each base. This report is used extensively by margarine producers and dealers, and by persons operating in related industries, such as butter and other edible fats and oils. It is used by other Government agencies, research institutions, and foundations. About 250 copies of this report were distributed each month last year.

## 2. Special reports.

a. Apple report. As in a number of previous years, crop prospects for apples in the summer of 1947 indicated that fairly large demands would be made upon storages for space for apples. It was decided that in order to avoid last-minute congestion during the storage season, special efforts should be made to determine in what areas, if any, a strain would be placed upon warehouses to care for the crop normally moving into storage. A report was issued showing estimated peak holdings for apples and pears by States in 1947. Generally, it was felt that little difficulty would be encountered. In areas where storage space was scarce, assistance in locating space was given to all producers and shippers requesting it.

b. Container size report on selected frozen fruits and vegetables. Frozen food packers are now packaging products in retail-size packages for use by the consumer, and in larger-sized packages for institutional users. In order to plan the production of the correct amounts of products in consumer-sized packages and of the larger sized packages, frozen food packers were in need of data which would classify monthly storage supplies of frozen fruits and vegetables by container size. In response to the industry's urgent request the Division agreed—on an experimental basis for a limited period—to send out a questionnaire to warehousemen for the desired information.

A four-page report on cold storage stocks of frozen fruits and vegetables by container sizes was issued. Members of the industry have stated that the report satisfies their needs very well and have expressed a desire that it be published regularly.

c. Warehousing facilities in terminal markets. The need for new storage space in terminal markets or the expansion of present



facilities depends to a large extent upon the adequacy of existing refrigerated space and upon the volume of foodstuffs stored annually. To aid in the field investigations made by the Division in appraising the need for facilities in terminal markets, an analysis is made of the cold storage questionnaires filed by the warehousemen in the market area under investigation. This analysis, of a confidential nature, is prepared for administrative use only, and consists of detailed information of monthly cold storage holdings of: (1) Poultry, by kinds; (2) shell eggs; and (3) frozen eggs. Holdings in every warehouse in the market area are accounted for so that the field investigator can tell at a glance what commodities are being stored and whether or not space is always available. During the 1947-48 fiscal year, special studies have been made for such areas as Norfolk, Va.; Little Rock, Ark.; Los Angeles, Calif.; San Francisco, Calif.; and Denver, Colo.

### 3. General publications.

a. Annual summary. In March, the third of a series of annual summaries was released. This publication gives data by regions for the various commodities reported in the monthly cold storage report. In addition there are tables showing the 1943-47 five-year average holdings by regions for each of the commodities on which figures are available. Some eight charts showing seasonal net movements of stocks for major commodities proved a useful addition to this report. Average storage holdings during 1947 were the highest on record, even exceeding by a small margin the stocks during the peak storage year of World War II.

b. Space survey. The space survey, which has been conducted biennially since 1921, shows the refrigerated warehouse capacity of the country. The next report will be available in the early fall. It will carry figures by city, State, and region and for the United States as a whole on all types of warehouse space, all of which were collected by questionnaire during the year. An analysis of expansion will be made, and a number of charts will be included. Information gathered in the 1947 survey which has not been collected heretofore includes figures on the amount of cooler space suitable for the storage of shell eggs and the amount of space devoted to the storage of fish exclusively.

4. Special services. Frequently the Division is called upon by various organizations, trade associations, research foundations, and publishing companies to render special services. Among trade groups to which assistance on specific problems was extended during the year are the National Association of Refrigerated Warehouses; apple, dairy, poultry, meat, and frozen food associations; and a rather extensive list of trade magazines and newspapers.

### B. Frozen Food Facilities

During last year we continued previously initiated studies to determine the best kind of facilities for handling frozen foods.



Many of the shortcomings of the facilities for the distribution of fresh farm products are also found in the facilities used for the distribution of frozen foods. These inadequacies include inefficient plant lay-out, lack of the proper type and arrangement of equipment for assembling and delivering orders, inconvenient locations of wholesalers' establishments in relation to retail outlets, limited access to transportation facilities, and uneconomical storage arrangements. It seems that research applied to developing better facilities for marketing frozen foods could be just as fruitful as to marketing other products. With this in view, the Division endeavored to assist the frozen food industry to determine the best kind of facilities for handling frozen foods in the various phases of the marketing channel and to encourage their proper and efficient use. A series of studies was undertaken to determine what kind of storage and handling facilities are most economical and how these facilities can best be utilized. In an effort to find some of the answers to these questions and to learn where research is most needed and can best be done, a national survey was made of facilities now being used in frozen food distribution. Observations were made of the methods and facilities used in handling frozen foods from the time they left the processor until they reached the consumer. Questionnaires were sent to some 350 frozen food wholesale distributors in more than 40 major cities. Also a large number of retail grocery stores, department stores, refrigerated warehouses, locker plants, and packing plants were visited. The report on this survey, now being completed for publication, will include discussions of the following points:

(1) Packing plant facilities. A representative number of packing plants were visited to observe the facilities which are commonly used to provide packs of frozen foods for distribution. Such facilities include equipment for harvesting, processing, packaging, freezing, and providing initial storage. The productive capacity and operating efficiency of these facilities have a direct bearing on the handling problems throughout the entire marketing channel. For instance, the size and shape of containers packed will automatically affect the use of certain types of storage and handling equipment by the successive agencies in the distribution and marketing channels.

(2) Warehouse facilities. Another phase of the survey includes observations of operations in refrigerated warehouses. Frozen foods are held in such facilities for a longer period of time than they are in all other handling, delivery, and temporary holding facilities together. Consequently, much attention needs to be given to the adaptability and operating efficiency of refrigerated warehouses as they apply to the storage, distribution, and marketing of frozen foods. It is not enough to have sufficient storage space of proper temperatures, but warehouses also must employ efficient handling methods and facilities, and the development of better piling techniques needs to be encouraged. Other warehousing problems are the conversion of existing cooler space into efficient freezer space, construction of small freezer rooms which are economical for private use by wholesale distributors, and adaptation



of the plants to the use of modern labor-saving equipment and devices. This becomes complicated in many cases where warehouses were constructed for receiving, storing, and shipping in carload lots, and they cannot readily be adapted to handling small quantities.

(3) Plant and operational facilities for the wholesale distributors of frozen foods. An analysis was made of the distributor's plant or store lay-out, break-up room, and handling equipment. Many different types of facilities are used by distributors in operating their frozen food business. Some rent operating space in refrigerated warehouses, while others operate from independent facilities which include their own temporary storage and/or break-up room. There is quite a wide variation in the degree of efficiency and labor-saving devices found among the different distributors. Also, in making up orders some have shelves inside their refrigerated room, while others use assembly-line methods in rooms held at normal temperatures. Factors determining the location and type of operating facilities of the wholesale frozen food distributors were and will continue to be analyzed in an effort to ascertain which can be used most efficiently under the various circumstances.

(4) Delivery facilities. The kind of delivery facilities employed varies widely among wholesale frozen food distributors. The facilities used greatly affect the cost of delivery and influence the degree to which the service is satisfactory. Keeping in mind these factors--cost and service--the Division observed the different types of delivery facilities that are used among a representative number of frozen food distributors. Analysis of the existing practices was begun in an effort to point out the things that wholesale distributors must consider in choosing one method of delivery over another.

(5) Retail facilities. One of the most formidable problems facing the industry today is the inadequacy of facilities at the retail level. Many of the retail stores that now have frozen food cabinets use them very inefficiently. They do not keep them stocked; the prices of the merchandise are not properly shown; and frequently the cabinet is poorly located in the store. There are also many cabinets in use which are poorly designed for merchandising purposes. Also a large percentage of the retail grocery stores have no frozen food facilities at all. These stores offer great potentialities for expanding outlets. A large number of retail operations were observed in various cities, and an analysis of these findings is being included in the report.

(6) Institutional and industrial facilities. Facilities of institutional and industrial users are also considered in the report. Since about 44 percent of the frozen food pack is marketed to such users, it is important that the frozen food storage equipment of these agencies be appraised. At present these classes of users depend more on daily deliveries by the wholesale distributor than on storing short-term supplies in their own zero storage units. Consequently, the use of freezer storage cabinets at restaurants, schools, hospitals, bakery



establishments, etc., has not, as yet, become a common practice. However, both the bulk users and the wholesale distributors who supply them are anxious to know how zero storage facilities on the premise of the user can be best utilized and what factors influence the type and size of cabinet to be acquired.

(7) Deep-freeze facilities for the home. As people tend to buy frozen foods in larger quantities, the demand for home storage facilities for frozen foods has increased. It is estimated that home freezer cabinets are now going into the homes at a rate of more than 100,000 a year. The use of home freezers is also considered in the report.

(8) Locker plants. The use of locker plant facilities in processing, freezing, storing, distributing and retailing frozen foods has developed rapidly during the past 10 years. It is estimated that there are about 10,000 locker plants in the United States today. The services performed by these plants and their potential significance in the distribution and marketing of frozen foods are treated in this report.

#### V. STUDY OF HANDLING EQUIPMENT AND METHODS

Labor costs account for a large and increasing part of the total marketing bill for farm and food products. At many stages in the marketing channel these commodities continue to be handled by manual labor--in packing and loading railroad cars and motortrucks in the areas of production; in unloading from the transportation equipment at warehouses and wholesale markets and placing in storage; in moving from one storage point to another in the same facility or in moving from the storage point to processing equipment; and in moving out of storage and again loading into transportation equipment for transfer to retail stores, mills, and other destinations.

In the past, when wage rates were lower, there was less incentive for reducing these costs. However, studies made over the years by the Department have shown that one of the principal reasons for continued increases in marketing costs is the steady increase in wage rates per hour and in the amount of labor required in marketing. Such increases are making it necessary for warehousemen, wholesalers, shippers, jobbers, and other handlers to increase their charges from time to time in order to obtain sufficient revenue to pay their labor bills. These increases are reflected in lower returns to the grower or in higher prices to the consumer.

There are at least two ways by which labor costs can be reduced: (1) The construction of facilities designed to reduce total labor requirements in performing the jobs previously mentioned, and (2) increasing the productivity of labor through the use of various kinds of materials-handling equipment. The work of the Division in connection with the former has been discussed in previous sections. Discussion of its work with respect to the latter follows.



Obviously, a laborer using two-wheel hand trucks, four-wheel hand trucks, skids, pallets, fork-lift trucks, conveyors, and other equipment of this kind can handle a larger volume or tonnage than he can handle without such aids. The problem is to determine what kinds of equipment, either alone or in combination uses, will make the greatest reduction in handling costs for each type of package under each situation where commodities are moved or handled.

Since it was not feasible to inaugurate work simultaneously on all types of packages used for agricultural commodities, it was decided that the first work undertaken should be limited to those most commonly used for fruits and vegetables. Moreover, it was decided that initial work should be limited to the unloading and placing in storage of the package types to be covered rather than to attempt work on all jobs simultaneously. The study undertaken during the last year covered the unloading from trucks and refrigerated railroad cars and the stacking or warehousing of the unloaded items. Because it was believed that the relative value of different pieces of equipment would be reflected in each commodity and package type in a proportionate way, it was decided for simplicity of collection and presentation of data to cover only eight commodities in eight different package types. These commodities with the corresponding container are as follows:

- |                               |                            |
|-------------------------------|----------------------------|
| 1. Apples in bushel baskets   | 5. Bananas on stems        |
| 2. Cabbage in 50-pound bags   | 6. Beans in bushel hampers |
| 3. Citrus in standard boxes   | 7. Lettuce in L.A. crates  |
| 4. Potatoes in 100-pound bags | 8. Tomatoes in lugs        |

In the early stages of the study, the kinds of materials-handling equipment on which data were to be obtained were limited to six types, one or more of which is used in moving produce through the marketing channel. These are listed below:

- |                           |  |
|---------------------------|--|
| 1. Manual or no equipment | 4. Skids or pallets and lift trucks                  |
| 2. Two-wheel hand trucks  | 5. Conveyors used alone                              |
| 3. Four-wheel hand trucks | 6. Conveyors in combination with any other apparatus |

The facilities at which unloadings were observed are indicated below:

1. From trucks at a platform the height of the truck bed
2. From trucks at no platform (curb level)
3. From railroad cars at the team tracks
4. From railroad cars at a house track

Data on man hours required for unloading and placing in storage the different kinds of packages, with the different kinds of equipment included in the study, were obtained through on-the-spot observations. At the end of the fiscal year, 1,064 individual observations had been made in 16 cities throughout the country. These observations represent



some 307 carload equivalents. Presented in table 1 is a summary of the observations made by different categories, which indicates the extent to which the field work was completed. Due to the nature of the produce industry operations it is not possible to make the same number of observations in each category set forth in this study. Since observations were made at random, of necessity the most commonly used equipment bear the largest number of observations. Although efforts have been made to cover the entire field, the table reveals the points that are inadequately covered. Before the study is completed, adequate coverage of each situation will be obtained.

When completed this study should reveal the costs and labor requirements for operating each type of equipment being used by the fresh fruit and vegetable industry. It will also show the advantages and disadvantages of each type of equipment and conclusions will be presented, as to what type, according to volume of business, will result in the lowest handling cost.

These findings will be made available to shippers, transportation agencies, wholesalers, warehousemen, and others in the industry. The result should be that people paying the direct costs of handling will gladly procure the necessary equipment, thus effecting a reduction in these costs. Since the produce industry is highly competitive, a reduction in costs should be reflected in reduced prices to the ultimate consumer or higher returns to the grower.

It is expected that the first project in this field will be completed during the next fiscal year. However, there are some difficulties which must be met before this work can be completed. One of these is the problem of obtaining data for all the equipment included in the study; for example, to obtain the required observations, it may be necessary to arrange with equipment manufacturers to supply equipment for use at a wholesale establishment in unloading several of the commodities covered in this project. Other problems include accounting for variations in data because of differences in the degree of skill and number of workers, in supervision, in the extent of obsolescence of equipment used, in the condition of merchandise, and for other factors of this nature which cannot be controlled, as well as presentation of the findings in a way that will best serve the needs of the people in the industry.

## VI. MARKET FACILITIES RESEARCH

### A. Factors that Govern the Success of Wholesale Markets for Farm Products

During the last two decades the establishment of wholesale markets for handling various kinds of farm products, including fruits and vegetables, poultry and eggs, livestock, and tobacco, has been attempted in many cities or areas throughout the United States. Although many of these markets have been successful, others have failed

Table 1.- Number of unloading operations and volume of fresh fruits and vegetables observed, by facility, commodity, and equipment category, on June 30, 1948

Commodity package	Truck Unloading										Rail Unloading										Total car-load equiv-Total alerts
	Curb level					Truck-bed level					House tracks					Team tracks					
	2-wheel hand: truck		4-wheel hand: truck		Manual: truck	2-wheel hand: truck		4-wheel hand: truck		Manual: truck	2-wheel hand: truck		4-wheel hand: truck		Manual: truck	2-wheel hand: truck		4-wheel hand: truck		Manual: truck	
	No.	No.	No.	No.		No.	No.	No.	No.		No.	No.	No.	No.		No.	No.	No.	No.		
Apples Bu. baskets	21	24	3		4	1	4	5	15		3	1	3		7					91	18.9
Bananas bunches	17					14		5		7	2	9		16	7					78	46.1
Beans Bu. hampers	17	14	1			1	2	16	9						6	1				70	11.7
Cabbage 50-lb. bags	13	7	3			1	3	11	11	1	5	5	3		13	2				79	12.2
Citrus Stand. boxes	16	22	3		4	1	22	9	32		42	6	6	1	7	9			3	184	52.1
Lettuce L.A. crates	21	6					37	12	42	1	59	7	13	3	31	18			4	254	75.2
Potatoes 100-lb. bags	18	17	2			1	15	10	34		34	10	22	3	16	1				188	56.6
Tomatoes lugs	13	6	1		7		2	5	30	2	10	4	5	1	21		5		5	121	25.6
Total Obser.	136	96	13	12	15	19	85	73	173	2	9	155	42	54	24	108	31	6	12	1055	
Tot. eq. car.	22.6	16.8	2.9	2.2	3.4	4.1	12.4	18.4	29.6	0.3	6.3	89.3	19.8	34.3	18.4	17.3	5.1	1.7	3.5	308.4	



completely and have been abandoned. A large percentage of those that have failed were not needed and probably should never have been built. However, others have failed because of their inconvenient locations, inadequate or poorly designed facilities, and inefficient management. Such failures have invariably resulted in losses to those who financed the projects as well as to the producers who looked to such ventures for outlets for their commodities. Moreover, not all the markets that are now attempting to operate are providing satisfactory outlets for farm products. In view of the fact that from time to time many additional cities and areas become interested in establishing new or additional markets or in improving existing markets, plans are under way for initiating a study in cooperation with the Farm Credit Administration to determine the factors that govern their success.

As a basis for initiating such a study with respect to fruit and vegetable markets, this Division completed and published during the year, in cooperation with the Farm Credit Administration, a history and description of farmers' produce markets in the United States.

#### B. Poultry and Egg Marketing Facilities in 30 Cities

The poultry and egg marketing facilities in cities from coast to coast were observed and studied to determine the most serious problems in connection with the physical handling of poultry and eggs in a cross-section of our city markets. This survey was initiated at the request of farm and trade groups in order to permit the evaluation of the many problems common to poultry and egg marketing. Primary emphasis was placed on facilities and handling methods and their relative efficiency. In addition, various labor, sanitation, and equipment problems were given consideration because of their effect on the handling of poultry products. In these same respects some observations were made on the excessive breakage and deterioration which occurs during the handling of poultry products in existing market facilities. It was observed that the lack of adequate refrigeration was one of the most common shortcomings of poultry and egg facilities.

In order to summarize the many problems that were observed, a report of these observations is being prepared for publication. The information obtained is being used to formulate further research and investigations of poultry and egg marketing facilities. It should prove helpful to producers and consumers alike in obtaining an insight into the reasons for increases in marketing costs. It is obvious that many of the present marketing facilities and handling methods are inefficient and costly. These added costs are reflected in lower prices to producers and higher prices and poorer quality to consumers. Wholesalers and distributors must also bear the higher handling costs because of the inefficient facilities now existent in many markets. From the information that has been assembled, it is quite evident that there is urgent need for the improvement of marketing facilities and handling methods.



This survey of marketing facilities was a continuation of one conducted from 1940 until the outbreak of the war, and resumed in 1946 when personnel returned from the armed forces. All information was obtained by personal interviews with wholesalers, packers, chain store buyers, refrigerated warehouse managers, producers, and representatives of local, State, and national Governments. Marketing facilities were visited to observe their design, locations and proximity to major highways and railroad lines. The type of handling and processing equipment was also observed and its efficiency evaluated.

These observations were made in 30 cities which were selected because of their importance and location. Tentatively the following cities will be covered in the report: Atlanta, Ga.; Birmingham, Ala.; Baltimore, Md.; Baton Rouge, La.; Boston, Mass.; Buffalo, N. Y.; Chicago, Ill.; Cleveland, Ohio; Columbia, S. C.; Columbus, Ohio; Denver, Colo.; Detroit, Mich.; Hartford, Conn.; Houston, Tex.; Indianapolis, Ind.; Jackson, Miss.; Jacksonville, Fla.; Little Rock, Ark.; Los Angeles, Calif.; Memphis, Tenn.; Milwaukee, Wis.; New Haven, Conn.; New York, N. Y.; New Orleans, La.; Philadelphia, Pa.; Pittsburgh, Pa.; Richmond, Va.; San Antonio, Tex.; San Francisco, Calif.; and St. Louis, Mo.

The combined information is voluminous and is in the process of being reviewed and analyzed.

One of the outstanding observations in the many cities was that wholesale poultry and egg stores were not originally designed or intended for wholesale marketing purposes. In many instances the buildings being used for such purposes were in a very poor state of repair. Figure 8 is presented to show a wholesale poultry and egg store in a market area of one of the cities visited. There is no question as to the undesirability of the building, and the reader can well imagine what the interior is like. It should be kept in mind that this general type of building is used rather frequently in the processing of both poultry and eggs in many of our cities. There is no question as to the need for improving marketing facilities when conditions such as this are so prevalent. The report of this study will also set forth other undesirable features of marketing facilities and their relative importance to the industry. Moreover, it will provide a basis for developing plans for the improvement of marketing facilities.

C. Amount of Floor Space Needed in Produce Stores  
to Handle Specified Volumes of Commodities

In developing plans and making recommendations for terminal, secondary, and concentration market facilities for produce in particular localities, it is necessary to include information showing the size and number of store units that should be built at the time of initial construction, in order to provide adequate platform and floor space for handling the anticipated volume of farm products efficiently. Little or no reliable data now exist upon which to rely in estimating the





Fig. 8. - An illustration of the kind of facilities through which poultry and eggs are marketed in some cities in the United States.





needs for store space. The only way that such an estimate can be made is on the basis of the total space currently used by dealers handling the farm products, from which adjustments are made. Also weighed is the fact that in an efficiently arranged facility a greater volume of merchandise can be handled within a given unit of floor space.

During the last fiscal year a preliminary study on the amount of floor space needed by wholesale dealers of fruits and vegetables and of poultry and eggs was begun. This really was a pilot study, for use as a guide for a larger and more comprehensive study to be undertaken in the near future that may eventually cover some 40 or more of the larger produce markets now in operation. So far the methodology or statistical approach best suited to the solution of the problem has been tested and developed.

Two approaches have been used in this preliminary work: (1) For poultry and eggs, the data on floor space and the annual food volume handled, taken from studies of market facilities completed within the recent past, were analyzed on an individual dealer basis. The basic information covered 96 poultry and egg dealers in 6 cities. (2) For fruits and vegetables, the information relating to the annual food volume handled and floor space was gathered by personal visits to Cleveland, Ohio, Chicago, Ill., and Buffalo, N. Y., and covered the markets as a whole. Information on floor and platform space used by all fruit and vegetable dealers in these markets was obtained by visits to the stores. Fruit and vegetable volume was based on interviews with local market news representatives of the Production and Marketing Administration, market managers, dealers, and other interested individuals. The main difference between the two approaches was that in the first approach the problem was considered from the viewpoint of the individual dealer, and in the second, from the viewpoint of the market.

Each of these two approaches has brought out interesting results and should prove advantageous in developing the techniques that will best serve in answering the basic question of just how much space should be provided in the stores on a market for the most efficient handling of the products that will move through them. Results obtained to date indicate that a positive correlation, though not necessarily linear, exists between storage space and volume of produce stored by individual dealers; that space required for certain types of markets is fairly consistent in terms of volume of products; that fruitful results would be obtained by an analysis of dependent variables other than volume; and that there is a need for certain statistical refinements in the methods used.

To find the correct number of store units to be built in a market is one of the basic facts needed in determining the success of that market and the resulting good effects on the farmer, the dealer, and the consumer. If underbuilt, dealers who cannot find space on the market will seek facilities elsewhere. Their withdrawal may lead perhaps to a split market which would have a bad effect on marketing efficiency.



If overbuilt, the facilities used would require a higher rental than otherwise would be necessary.

It is believed that further study will yield profitable results in answering fundamental questions as to the best size, shape, and design for buildings and other marketing facilities for wholesale dealers of fruits and vegetables and of poultry and eggs. The facts disclosed may also be used to advantage in solving similar problems with respect to marketing facilities needed for handling other farm commodities.

## VII. ILLUSTRATIVE MATERIAL DEVELOPED FOR USE IN PROMOTING IMPROVED MARKET FACILITIES

### A. Slides of Existing Markets

During the past year representatives of the Division have collected a large number of photographs of markets throughout the country and had these photographs reproduced on slides. They are used by those in the Branch who frequently make talks to various interested groups. This means has been used in showing market groups what exists in other markets, how the buildings are arranged, where the tracks are placed, and how produce is handled.

### B. Pictures

Pictures of typical market scenes were taken, including the loading and unloading of produce by different methods, types and location of buildings, and other features desired as a permanent record or to supplement the Division's collection of slides.

### C. Models

One of the features which has proved to be of considerable value in planning markets is a scale model consisting of miniature buildings, trucks, railroad cars and tracks, fences, poles, trees, and a base on which the lay-out is made. By the use of this model, which can be dismantled and transported in cases, it is possible to show exactly how a market would look and be built on a particular plot of ground. It was used frequently last year in demonstrating to interested people in a city where the construction of a market was being considered just what the advantages and disadvantages of various locations are.



## WAREHOUSE SUPERVISION DIVISION

### I. INTRODUCTION

The Warehouse Supervision Division engaged in two activities during the entire year: (1) the approval and supervising of warehouses used by the Department for storing certain commodities which it acquired for various purposes, and (2) the administration of the United States Warehouse Act. In October 1947 a third activity was assigned to the Division, namely, supervision throughout the United States of the inspection of wool warehouses used by those with whom the Department had contracts for handling wool in which the Commodity Credit Corporation had an interest. As in previous years the great portion of the work of the Division centered in the administration of the Warehouse Act.

### II. INSPECTION OF NONLICENSED WAREHOUSES

#### A. Supervision of Warehouses Storing Department-Owned Commodities

The inspection of warehouses in which the Department stored acquired products followed two lines: (1) Storage facilities were examined at the request of the Shipping and Storage Branch of the Production and Marketing Administration to determine whether they were suitable for storing certain commodities handled by that Branch. To be acceptable the facilities have to be adequate to protect Government property against spoilage and deterioration and be operated by competent and experienced management employing skilled personnel. Whenever possible the examinations were made before a contract to store commodities was entered into with a warehouseman. However, because of the unexpected acquirement on short notice of certain commodities which had to be placed in storage immediately, it was not always possible to examine all warehouses in advance of entering into contractual relations. (2) The warehouses in which these Government products were stored were inspected every 60 days to find whether the facilities or the commodities stored in them had deteriorated, and to inventory the stored products. Any deterioration that was detected in food or facilities was immediately reported to the Shipping and Storage Branch, and recommendations made that the products be withdrawn from storage or that the warehouseman be required to correct conditions which made the building undesirable for further storage purposes, such as damp floors, failure to use proper dunnage, maintenance of too high temperatures or humidities, or leaky roofs. A wide range of commodities was found in the approximately 600 warehouses scattered throughout the country. Among these products were processed fruits, vegetables, dry skim milk, dried eggs, frozen eggs, meats and meat products, fish, flour, dry beans, cereals, cheese, and potatoes.



The staff of only one field office devoted its attention exclusively to this kind of warehouse inspection work. The other examiners in the field worked under the direction of the supervisors administering the Warehouse Act in the respective areas. There are only five men who devote their attention exclusively to this class of inspection: A supervisor and two examiners under him, in New York; one examiner (under the Warehouse Act supervisor), in Indianapolis; and one examiner (under the Warehouse Act supervisor), in Portland, Oregon. (The two examiners in New York and the one in Portland also spend part of their time in checking wool warehouses, as discussed later.) One examiner in the Washington office has over-all supervision of the field work under the direction of the Chief of the Division. In all other areas the work is being performed on a reimbursable basis by examiners attached to the Warehouse Act staff. During the year one examiner was assigned for about 6 months to assist with this work in the Indianapolis territory. One examiner in New York was employed only during the last half of the fiscal year. In the New York area subsequent examination work was centered for the most part around warehouses storing surplus potatoes.

Reports of these examinations gave the Shipping and Storage Branch fairly accurate pictures of how and under what conditions the commodities were stored. For instance, warehouses were reported in which potatoes were not stacked in accordance with the terms of the contract, namely, in chinmey style; in other cases potatoes were piled 15 bags high, one bag on top of the other, or considerably in excess of approved practice. Another storage warehouse was reported for storing potatoes in nonrefrigerated space instead of in refrigerated space as the contract stipulated. Other houses were reported because they stored potatoes in rooms either above the maximum temperatures or below the minimum temperatures specified in their contracts. Twenty carloads of skim milk, valued at approximately \$72,000 were found stored under extreme fire risks in a warehouse which had not been approved. On the whole, these examinations have kept the Shipping and Storage Branch and the commodity branches informed as to the warehouses offering the best storage facilities. Adverse conditions which the examiners called to the warehousemen's attention have been corrected so that better storage conditions have resulted for Department commodities. A further result of the examinations has been the appraisal of the Shipping and Storage Branch of operations that do not conform with contract requirements, thereby warranting that Branch in taking action to remove its commodities to better storage facilities.

#### B. Supervision of Wool Warehouses

In October 1947 this Division was assigned the responsibility of reviewing reports submitted by county agricultural committeemen covering the inspection of wool warehouses used by wool handlers under contract with the Commodity Credit Corporation through the Livestock Branch of the Production and Marketing Administration. The Division prepared a comprehensive examination report form which was placed in the hands of the State Directors of the Production and Marketing Administration along with a list of warehouses within their respective States in which the wool handlers



were storing Government wool. The Directors assigned agricultural county committeemen to examine the warehouses in conformity with the form and instructions prepared by this Division. Some 600 or more warehouses were examined. These were scattered from Maine to Oregon and from North Dakota and Canada to Texas. As the reports were received in the Division they were carefully reviewed and recommendations made to the Livestock Branch regarding necessary improvements in conditions, and the Division's view stated as to the acceptability of such wool warehousemen. A great many adverse reports were submitted. In the beginning, one of the factors considered by the Division in passing upon the acceptability of a wool warehouseman was his financial status. When a great many warehousemen were found to be wholly underfinanced in relation to the amount of wool entrusted to them the recommendations regarding them were adverse. Later the Branch was instructed not to look into the financial status of any wool warehouseman. Many warehousemen were found to have facilities that were not suitable for the storage of wool, and other facilities were of such poor construction or of such a hazardous nature from the standpoint of fire and were so wholly lacking with respect to adequate fire protection or watch service that recommendations were made against use of the facilities. About April 1 instructions were issued to the Branch as to what standards it should follow in reviewing the reports on wool warehouses. The Branch was told the main question it is to consider is the insurance rate per hundred dollars per annum on wool stored in a warehouse. If it is in excess of \$1, the house is to be disapproved, or the handler is required to insure the wool at his own expense. The Division does point out to the Livestock Branch any conditions which it considers make the warehouse or the warehouseman undesirable for the storage of Commodity Credit Corporation wool, but it does not approve or disapprove any warehouse. It merely states that according to the report supplied by the county committeeman, it appears that the warehouse does or does not meet the standards prescribed by the representatives of the Commodity Credit Corporation.

In addition to the reports submitted by the agricultural county committeemen, the Division employs three men who devote their full time and three men who spend part of their time in making spot checks of wool warehouses. Their examinations extend to both the storage facilities and the external appearances of the wool. Copies of their reports with recommendations from this Division are submitted to the Livestock Branch.

### III. WAREHOUSE ACT ADMINISTRATION

#### A. Scope of Operation

As the United States Warehouse Act was passed in 1916 and has not been amended since 1931, the procedures of administration have become quite well established, and the work continues along the same lines year after year, namely, the licensing of warehousemen and the inspection of warehouses before licensing to see that they meet the requirements and the examination of licensed warehouses and the supervision of licensed warehousemen. Most of the work, perhaps 85 percent, is the supervising

of warehouses after licensing them. The purpose of the law is to convert stored staple agricultural products into a form of collateral that will be generally acceptable for loan purposes, and to see that the products stored under the act are properly protected while in storage. Table 2 shows by commodities the number of warehouses licensed and the total storage capacity of the warehouses as of June 30, 1948.

Table 2. - Warehouses licensed under the United States Warehouse Act and their total storage capacity as of June 30, 1948 according to commodities

Commodity	Warehouses	Capacity
	Number	
Cotton	437	10,158,201 bales
Grain	813	301,448,159 bushels
Wool	30	72,083,000 pounds
Tobacco	4	3,290,000 pounds
Nuts	9	15,367 tons
Broomcorn	4	32,325 bales
Beans	26	1,628,450 cwt.
Sirup	4	1,398,640 gallons
Canned Foods	18	4,391,900 cases
Cold Pack Fruit	1	4,189,500 pounds
Seeds	1	232,062 cwt.
Cherries in Brine	2	8,846,000 pounds
Total	1,349	

Table 3 shows by commodities licensing activity during the year.

The primary purpose of the Warehouse Act, namely, sound collateral, is not attained by merely issuing licenses. There must be a sound selection of warehousemen in the first place. Indiscriminate licensing would soon defeat the very purpose of the Warehouse Act; hence no warehouseman is licensed until a thorough investigation is made of him and a thorough inspection is made of his facilities in order to determine (1) that the warehouseman has a proper facility for storing the product in question; (2) that it is properly equipped to care for the product while in storage; (3) that the financial responsibility and reputation of the warehouseman are satisfactory; (4) that the warehouse is equipped with proper scales and inspection equipment; (5) that employees, such as superintendents, samplers, weighers, inspectors, and graders, are competent to perform their respective duties; and (6) that the property is legally under the control of the warehouseman and that he legally exercises control over all its operations. Those determinations are only the initial steps in licensing and making collateral. After a license is issued the all-important function of supervision begins. This supervision is not continuous day by day, but is performed by means of irregular and unannounced examinations covering the entire



Table 3.- Licenses issued, amended, canceled, expired, suspended, and reinstated, by commodity, fiscal year 1948

Commodity	Orig.	Exams.	Issued	Amended	Licenses	Licenses	Licenses	Reinstated	Issued	Inspector	Sampler	Sampler	Sampler
	No.	No.	No.	No.	No.	No.	No.	No.	No.	No.	No.	No.	No.
Cotton	51	24	78	16	5	-	-	-	114	127	9	-	-
Grain	164	96	77	31	21	6	3	-	397	262	15	-	-
Wool	8	5	11	4	1	-	-	-	13	14	1	-	-
Tobacco	-	-	1	7	2	-	-	-	1	34	0	-	-
Nuts	7	6	3	-	-	-	-	-	8	-	-	-	-
Broomcorn	2	1	1	-	-	-	-	-	2	-	-	-	-
Beans	8	6	-	1	2	-	-	-	6	3	-	-	-
Sirup	4	2	2	1	-	-	-	-	6	3	-	-	-
Canned	-	-	-	-	-	-	-	-	-	-	-	-	-
Foods	10	7	3	9	2	2	-	-	6	6	-	-	-
Cold Pack	-	-	-	-	-	-	-	-	-	-	-	-	-
Fruit	-	-	-	-	-	-	-	-	-	-	-	-	-
Seeds	1	-	1	-	-	-	-	-	-	-	-	-	-
Cherries	-	-	-	-	-	-	-	-	-	-	-	-	-
in brine	1	-	1	-	-	-	-	-	-	-	-	-	-
Total	256	147	178	69	33	8	5	-	553	449	25	-	-

warehousing operation. Such examinations must be thorough and sufficiently frequent to make certain that the law and the regulations are observed and that receipt holders are protected. Upon each inspection sufficient products of each grade must be found in each warehouse to cover all outstanding receipts and to care for all storage obligations of the warehouseman. For some commodities this becomes a painstaking and complicated task which can be performed only by experienced and highly trained examiners.

The warehouseman is asked to produce his book of warehouse receipts and any other books or records containing information pertinent to the examination. The warehouse receipt book contains a carbon copy of each receipt issued, and shows the name of the depositor, weight and grade of the products, the date issued, and other basic data. All original copies of warehouse receipts which have been canceled by the warehouseman are also turned over to the examiner so that the final result of his audit may be a set of figures showing exactly how much grain or other product, by weight and grade, is represented by warehouse receipts outstanding at the time of the examination.

All outstanding receipts are credit instruments. They may, at the moment, be lodged in a bank as collateral to a loan running as high as 70 to 90 percent of the value of the product represented by the receipt. They may be in possession of a farmer awaiting the day when he desires to trade his product for cash. They may be in the possession of a Government agency, assuming their relative importance in a national agricultural program. Wherever located, they are evidence of products that must exist if obligations or plans based on their existence are to be carried out satisfactorily.

The examiner does not ask the warehouseman merely for copies of receipts that have been issued. He asks to see all of the receipts that have not been used. He knows in advance whether he has to account for 1,000, 5,000, or any other specific number of receipts. No receipt can be obtained by a warehouseman except upon orders approved by the Department. All receipts are printed by one printer; and records are maintained to show the exact number supplied to each warehouseman. The examiner can thus determine whether any unused receipts have been tampered with or cannot be properly accounted for by the warehouseman.

The review of records does not stop with an audit of warehouse receipts. In addition it covers products received into the warehouse and for which a warehouseman may be responsible but against which receipts have not been issued, as well as products for which receipts have been canceled but shipment has not been completed. In brief, the purpose of the audit is to determine that the quantity of each kind and grade of product that should be in the warehouse to satisfy the warehouseman's obligations is there at the time of the examination. These facts having been established, the next step is to take an inventory of products actually stored in the warehouse.



In the case of grain the examiner would have little success arriving at the amount of each grade in a grain elevator unless certain basic information had been worked out. The variety of shapes, sizes, and storage capacity of individual grain bins is almost limitless. There are single bins that hold more than a million bushels each. There are bins so irregular in shape that complicated mathematical formulas must be used to calculate the cross-section area. For each bin or container, the bushel-per-foot-of-depth capacity is computed and tabulated in chart form. This chart is used by the examiner in determining the quantity of grain in each bin.

The amount of grain in terms of pounds or bushels that a given space will contain, however, varies according to the kind, grade, and condition of the grain. The chart may show that a certain bin is 100 feet in depth and of an area sufficient to hold 200 bushels per foot. Its capacity is rated at 20,000 bushels. This bin when full of wheat may actually contain anywhere from 17,000 to 23,000 or more bushels, because wheat has a wide range of quality, and quality has an important bearing on the packing effect that takes place when the bin is filled. Because of the different packing behavior of different kinds and qualities of grain the examiner may find as much as 26,000 to 28,000 bushels of oats in this 20,000-bushel bin. Elevator bins are seldom filled to capacity, of course, so the examiner must determine by measurement the number of feet occupied by grain in each bin in the warehouse. The job is further complicated by the fact that the grain line is not ordinarily a level surface. There may be a difference of 10 feet or more between the high and low points. Properly trained examiners become expert at estimating the point at which the grain would level.

The kind, grade, and condition of grain in each bin is important not only because it is a major factor in estimating the quantity contained therein but also because the inventory will be matched against the warehouseman's storage obligations by kind, grade, and quantity. Therefore, the examiner must draw a liberal sample from each bin and analyze the sample to determine its kind, grade, and condition. For this analysis he pays special attention to the keeping qualities of the grain and to any indication of deterioration, such as excessive warmth, presence of insects injurious to grain, sour or musty odor, and evidence of "sick" wheat.

This measuring and sampling procedure and analysis of samples enable the examiner to make his own estimate of the quantity, grade, and condition of all grain in the warehouse. The results are set down in a column parallel to the results of the audit of warehouse receipts and other records to determine the nature and extent of any discrepancies that may exist. The warehouseman is then advised of any unfavorable discrepancies and is requested to correct them. A full report of what was found and of the corrective measures taken, if any were necessary, is submitted to the examiner's supervisor, who follows each case carefully to see that all corrections are made. If necessary, the Washington office contacts the warehouseman.



In addition the examiner makes a note of any defects in the warehouse structure or equipment or of any matter he wishes to bring to the attention of the warehouseman. He examines the warehouseman's insurance policies and records the policy numbers, name of issuing company, and kind and extent of coverage. If the insurance is insufficient, he requests that it be increased immediately. The examiner calls on local bankers to exchange information which properly may be exchanged concerning the warehouseman's operations. He is always willing to discuss with the warehouseman any problem the warehouseman may wish to refer to him and to advise him or suggest where he can get competent advice.

On the occasion of each examination, the examiner checks the scales to see that they are functioning properly. He checks the work of weighers and superintendents. Perhaps he may have been instructed to look into certain features of the financial structure or to verify records of ownership of the warehouseman. He frequently interviews depositors in elevators or warehouses to get their reactions. The examination is of such a character that it often reveals to the warehouseman himself bad conditions of which he was not aware and which, if they had not been detected and corrected, would lead to serious consequence. In short, an examination of a federally licensed warehouse is always made with two objectives ever uppermost in the examiner's mind: To establish the integrity and collateral value of the warehouse receipt and to protect the commodity.

Examinations covering warehouses storing commodities other than grain have the same objectives, though in the case of commodities stored on an identity-preserved basis the examiner must locate in the warehouse the identical product covered by the warehouse receipt.

During the past year 2,393 examinations as previously described were made of grain warehouses, 1,508 of cotton warehouses, and about 225 of warehouses storing other commodities. It should be pointed out that included in the warehouses examined were the largest cotton warehouses in the country and some of the largest grain elevators.

#### B. Problems during the Year

1. Tariffs. One task in connection with administering the Warehouse Act which seems to require more and more time each year is that of obtaining from warehousemen proper tariffs which set forth their charges succinctly and in a manner that can be readily understood. The law imposes the responsibility upon the Department to see that charges are not unreasonable or discriminatory. With the general increase in the cost of living, warehousemen have found it necessary to pay higher wages and salaries. Generally all costs entering into their operations have increased. The result is that for the last several years charges of many warehousemen have increased. These must be carefully analyzed before the tariffs can be passed. To determine what are fair charges necessitates a great deal of correspondence and sometimes conferences with warehousemen. From the wording of many tariffs that are submitted it is not possible to tell what



the storage of a bale of cotton or a bushel of wheat may cost a depositor before he gets it out of the warehouse or elevator. Necessary clarifications naturally require correspondence. Again, some licensees and other warehousemen who are applying for licenses have wanted to place at the head of their tariffs a statement to the effect that all grain received at the warehouse was delivered to the warehouseman for sale. In other words, the warehouseman wanted to treat the grain as sold to him rather than as tendered to him for storage. To such wording exception has had to be taken. Meetings were held in areas where warehousemen were disposed so to word their tariffs. Some warehousemen take the position that when a question regarding their tariffs is raised it is an attempt to fix their rates. They contend that the Department has no authority to fix rates but only to see that rates are neither unreasonable nor exorbitant. The Division has asked, where rates are to be increased, that the warehousemen supply data showing increased costs to justify the increased rate.

2. So-called overflow grain. In many producing areas the storage capacity is not sufficient to take care of the grain produced within the areas. In some areas a country elevator man who may have an elevator of 25,000 or 50,000 bushels capacity accepts the farmer's grain, issues him a country warehouse receipt, and immediately forwards that grain to some terminal or subterminal elevator without the permission of the depositor. In other areas the elevator man accepts storage until his house is filled, and then, without issuing receipts of his own, forwards the grain to some other elevator man for storage. Here again the operation is generally done without the consent or knowledge of the owner. As a result of such operations, some warehouses who had storage capacity for 100,000 or 200,000 bushels have forwarded as much as 3 and 4 times their own storage capacity. In one case it is known that a country elevator man had forwarded this excess grain to another elevator man a couple of hundred miles away; that this elevator became filled, and in turn forwarded this grain on to several other elevators, one as much as 500 or more miles distant. In another case grain was shipped to a commission merchant who was not even known to have an elevator. The result was that while the producers of the grain had reason to think that their grain was stored in the elevator to which they had originally taken it, not even the original elevator man knew where much of the producers' grain was, and neither the country elevator man nor the producers had a receipt for the grain. Such operations expose the country elevator man to tremendous liabilities. The Department has taken the position that federally licensed warehousemen may not forward grain which is tendered to them for storage without the consent of the owner of the grain. The limited storage capacity in most heavy grain-producing areas is creating a serious problem. But there is a limit to the amount of country storage that should be built. Very obviously it would not be economical to build sufficient country storage to take care of maximum production in any one area. For many years a good deal of the space would be idle. Heavy producing areas should be surveyed to find whether they have sufficient storage space and what would constitute an economical amount of storage space for the areas. Steps should then be taken to get such space constructed. Meanwhile arrangements should be worked out to have necessary shipping of grain from one elevator to another done in an orthodox way.



3. Insurance. Another problem in connection with grain storage is that of adequate insurance coverage. Frequently the Division finds that warehousemen who issue receipts which recite that the grain is fully insured by the warehousemen carry their insurance with companies that are not strong financially; or that the policies they hold do not give adequate coverage to protect both the depositors and the warehousemen. Many times it is hard to tell just what protection is given by policies. Again, with the high prices of agricultural commodities it is becoming more and more difficult each year to get coverage in sufficient amount. A number of licensed elevator men experienced acute difficulty in that connection in the past year. If the larger grain elevators now carried the stocks that they did a few years ago, it would be impossible to get sufficient fire insurance coverage. The same difficulty would be experienced by large cotton warehouses. It is now being experienced in the peanut industry. The limitations in amount that underwriters are placing on peanuts are entirely inadequate to cover the risks.

4. Soliciting grain on the basis of free storage. Another problem during the year arose because of solicitations for storage made by certain terminal and subterminal elevator men among country shippers and elevator men on the basis that no storage charge would be assessed against the grain. Similar solicitations apparently were practiced on the part of some mill operators. Some producers and country shippers are misled by such offers of free storage. Of course, it must be quite apparent that no terminal or mill operator can build and maintain expensive terminal elevators without assessing charges for their use. Evidently the purpose was to get this grain into the hands of terminals and mills and out of the hands of producers and country operators. A serious question that might be raised is: Is this grain, when it goes to the terminal or mill elevator, actually placed in storage, or is it being disposed of or milled? There is reason to believe that the grain has disappeared. If it has, then there could be no justification for storage charges against it. What happens to the farmer or the country shipper if the terminal or mill operator is not able to produce wheat or make financial settlement when the farmer or country shipper wants to dispose of his grain? Even if settlement is made with the farmer when he finally wants to dispose of his grain, such a plan works against the very program which the farmers have been trying to develop either individually or through their cooperative marketing associations, namely, to hold the grain off the market at certain times so as to have an orderly flow and thus to avoid ups and downs in the market.

5. Excessive or unfair marketing costs: During the past year in certain heavy wheat-producing areas operators of elevators at country points who are also engaged in grain merchandising were, in addition to making their regular receiving and delivery charges for handling the grain through their elevator, levying a toll ranging from 5 cents to as much as 18 cents per bushel on the wheat. In other words, the price that they paid the farmer was from 5 to 18 cents per bushel less than that at which they sold the wheat to other merchandisers or millers. The construction of adequate warehousing facilities in such producing areas would go a long way



toward breaking up such practices as these which are always possible at a time when prices are high, space limited, and farmers are not pressed financially.

### C. Needed Research

The problems previously mentioned suggest that there is need for some fundamental, intelligent research, particularly in the field of grain warehousing and marketing, and that a careful study covering the marketing of peanuts would not be amiss. No time should be lost in studying the overflow problem in connection with grain, in ferreting out the so-called free storage competition, or in studying the extra toll that certain grain merchandisers have been levying on producers. A thorough study should be made of the insurance problem as it affects the proper warehousing and financing of grain, peanuts, and certain other agricultural products. It is quite apparent that an educational campaign among the producers of certain agricultural products and the warehousemen handling such products is essential in the best interests of the marketing of those products.

### D. Trade Meetings

Meetings were held with eight groups of licensees representing different parts of the country. The purpose was to discuss with warehousemen and members of the trade, at first hand, their problems and problems that confront the Department, and to develop ways and means permitting warehousemen to operate under the Warehouse Act and at the same time take care of the interests of depositors in warehouses. Not all problems were solved, of course, but a better understanding of them was reached. It is hoped that even further progress in this respect will be possible as the result of proposed research revealing essential facts to guide warehouse licensees in the conduct of their business and producers in doing a better marketing job.

### E. Problems within Organization

An organization problem which has been plaguing the Division for several years has become more acute during the past year; that is, the inability to obtain proper men to serve as examiners. For 10 years the Division has been undermanned, particularly the staff of grain warehouse examiners; this year, through resignations and inability to get recruits, the situation is acute. In January of this year the U. S. Civil Service Commission announced an examination for three grades of grain warehouse examiners. About 150 applications were filed. This number produced only 12 eligibles, 6 of whom were already serving on the staff under temporary or war service appointments. One of the additional 6 has been appointed. Another one immediately withdrew his name from the register. The qualifications of the 4 others on the register are questionable.

At this time the Division should have at least 12 additional men on its grain-examining staff. The limited staff prevents expansion of

its work, while inquiries about licensing are received weekly. Very obviously warehousemen should not be licensed if the standards of supervision cannot be maintained.

#### F. Requests for Additional Services

Last year the Department not only received applications to license warehouses for the first time, but also requests for licensing additional space in warehouses already licensed. Particularly this was true with respect to space for grain. In addition, applications were filed for licensing peanut warehouses in North Carolina and Virginia, and more applications are expected. Interest was manifested by the canning industry in the storage of Florida citrus fruit. These commodities are already on the eligible list for storage under the United States Warehouse Act. In addition, requests were received to place entirely new commodities on the eligible list, among them various seeds, particularly clover and other seeds raised in the arid country beyond the Rocky Mountains. Some interest was manifested in the storage of sugar under the act, and an urgent request to place alfalfa meal on the eligible list was filed by a producer who indicated that his tonnage represents about 10 percent of the entire production of the United States. Such requests should have consideration, but it is not apparent how they can be granted when the Division is already undermanned for the present workload.

#### G. Benefits of the Warehouse Act

Again and again the questions are asked: Whom does the Warehouse Act benefit? What is its worth? These questions can be best answered by operators under the act and those who are the beneficiaries of it.

Receipts issued under the act are a form of collateral which are generally acceptable to lending agencies as security to loans. The manager of a fruit and vegetable growers' association states that on the basis of their present borrowings the Warehouse Act saves the association from \$6,000 to \$7,500 per year, which merely represents a difference in interest rates. "But," said the manager, "it isn't this mere difference in interest rates which represents the real value of the Warehouse Act to us, but the very fact that we have the service always available, and that our receipts have been issued under the Warehouse Act, opens up the money markets of the country to us and makes our credit problems quite simple."

A very interesting illustration of the value of Federal warehouse receipts and their wide acceptance was given by a cotton merchant who sometime ago was traveling abroad. While in Liverpool he found himself in need of money under such circumstances that it was difficult for him to satisfy those whom he approached for funds. He presented some Federal warehouse receipts covering cotton stored in warehouses in the United States, and immediately he was able to borrow on the basis of those receipts.



The benefits of the Warehouse Act are not confined to the field of finance. It is reflecting its influence in the character of products that are going to market and the prices which the farmers get for their products. By pointing out to operators of warehouses the need for proper grading, their right to refuse to accept products that are not in storable condition, and the wisdom of seeing to it that the farmer is informed as to the correct amount of moisture content and dockage in his grain, an improvement is being effected in the merchandising of grain which reflects itself right back to the farmer. Removal of dockage gives an additional benefit in that it frees many cars in the course of a year for essential transportation, and saves many thousands of dollars which would be paid for transporting nothing more nor less than trash and dirt.

In a field that was little thought of at the time the Warehouse Act was passed, and for a number of years thereafter, the act has come to aid materially. When a loss by fire occurs at a licensed cotton warehouse, the underwriters have come to view the examinations which the Division makes with such high favor that they do not send their own inspectors to federally licensed warehouses. The first thing they inquire about upon hearing of the fire is whether the warehouse is federally licensed, and, if so, they next inquire of the Government supervisor whether he has dispatched examiners to that warehouse. They withhold their settlements until the Government examiners have made their report, and they accept that report as a basis for making fire loss adjustments with their insured. Both the underwriters and the insurer accept those reports without question.

In this day, when there is a growing feeling on the part of businessmen against Government intruding on business, it seems paradoxical for businessmen who have been operating under the Warehouse Act for a number of years to ask for "more" of the Warehouse Act and its administration; in other words, what might seem to be more Government in business. But the Warehouse Act is essentially a Governmental activity which helps private business operate more efficiently and at the same time serves the producers.

Nothing has more pulling power than the statements of those who have had experience. Appended, therefore, are expressions from some licensees who have operated under the Warehouse Act for a number of years. These expressions come from small and large operators.

From the manager of a cooperative association in the Middle West:

"We wish to compliment the U. S. Warehouse Department for the efficient service they have provided the cooperative elevators in the area.

"This service is very beneficial not only to the elevators but to the producers as well as it gives the

farmer ample protection on stored grain. It also enables the elevator to secure adequate finances to handle the crop by being able to borrow money on warehouse receipts.

"We trust that nothing will prevent the Warehouse Department from continuing their present service. In fact, we feel that it is very important to the elevators and producers that this service be expanded as soon as possible."

From a cotton merchant comes the following expression:

"We in this market have had an opportunity through many years of operations to realize the many advantages that are obtainable through the handling of cotton merchandising in warehouses which are licensed under the U. S. Warehouse Act. The most important of these benefits, from a merchant's viewpoint, is that which permits the operation of warehouses which are financially responsible under this license due to the careful check made by your department before licensing is arranged. This protection is especially desirable in the handling of cotton in interior warehouses which in many cases are comparatively small and irresponsible. Without this feature of federal protection of the warehouse receipts through its system of periodic stock-checking, as well as application of other physical safeguards, through the supervisory and protective duties of your department, the confidence generally had by the trade and banking circles in these documents would be much affected.

"The warehouse receipt which carries the federal license is in addition a very acceptable document when used as collateral with banks and other financial institutions which look upon such a certificate as a negotiable instrument representing in the fullest measure a protection not completely afforded through other forms.

"The licensing of warehouses under the U. S. Warehouse Act unquestionably extends to the document issued by warehouses which may operate under this federal service, a special form of prestige which we as merchants and storers of this very valuable commodity feel is vital in the handling of our cotton. Unquestionably, all warehouses which are in this category enjoy a distinction and advantage which we are certain they must maintain only by the constant use of your valuable service."

A rice warehouseman expressed his view of federal warehouse supervision as follows:



"After fourteen years of storing rice under the United States Warehouse Act, we want to express our appreciation for the benefit that has come from this service.

"Probably farmers have profited more than any other group. They feel secure in holding negotiable receipts issued under this Act for the products they store. They know their products are safe and in case they need to borrow money these receipts serve as preferred collateral in any bank.

"Those who lend money on farm products are benefited because they know their collateral is good and is well protected in a properly operated warehouse against fire or other loss.

"Those who operate warehouses are benefited because the periodical physical checks of stocks by the examiners of the Warehouse Administration establish the accuracy of records and these visits have a tendency to keep warehouse help alert which results in order and cleanliness and these in turn result in lower insurance rates and operating costs.

"We, as millers, purchase large quantities of rough rice from farmers and store both rough and clean rice in warehouses licensed under the Act. Experience has taught us that licensed warehouses operated under the Act are efficiently administered in conformity with the regulations for warehousemen storing grain and we feel secure in having receipts that are acceptable as collateral to lending banks.

"In our opinion the accurate records of these warehouses should be of assistance to the Federal Government in giving to the public authentic reports on available supplies of the various farm products. Such reports are valuable to industries and to the investing public."

From a grain warehouseman who has been licensed since 1930 comes this expression:

"As you know, we have always had a federal license. It has become just a part of our business operation. We depend on it in a way just like our bookkeeping department or any other department of our association. We consider the supervision of the department very important and necessary.

"If something would happen to the warehouse act it would be a severe loss to us and we sure don't want that to happen.

"As to our financial operation we use it to help finance our grain, as in case of grain car shortage, we reissue the receipts and use them as security until cars are obtained and the grain can be loaded. This you can see is a big help to any one in the grain business.

"To the farmer of the community it gives them negotiable receipt in which to help finance their operations. We have always felt that when a farmer stores his grain his intentions are that market conditions will improve and that he will get a better price for his grain. We believe that there is too much grain going into the mills and elevators each year that is ground into flour or disposed of without first being purchased from the farmers.

"We believe that if every farmer that stored grain understands the warehouse act there would be very little grain stored anywhere except in Federal licensed warehouses.

"We know that the farmers of our community are using the receipts to an advantage as well as the local bankers. We have discussed warehouse receipts with our local bankers. They say that they never have had a bank examiner question a Federal warehouse receipt, and as Mr. \_\_\_\_\_ of the First National Bank stated in our conversation that we depend on wheat, the only grain crop produced by farmers on a large scale and he hoped nothing would happen to the act. Mr. \_\_\_\_\_ of the \_\_\_\_\_ County Bank is of the same opinion.

"We operate six country elevators having a licensed capacity of 825,000 bushels. The farmer depends on the warehouse act and if repealed it would hurt agriculture.

"We hope it will continue as in the past and if we can do anything to help please let us know."

From a soybean operator in Kentucky comes this testimonial:

"The service of the U. S. Warehousing Act has been most helpful to this organization and our many patrons in making possible for us to better handle the financing of our soybean crop which, of necessity, moves more largely during the months of October and November. It is by the use of warehouse receipts that we have been able to better handle the problems of financing and hedging our crop which, during the past season has exceeded two and three quarter million dollars.



"There has been absolutely no question with banks and others concerning the acceptability of receipts issued by us under our license. It is putting it lightly to say that our operations and services to our patrons would be materially handicapped if we were not in position to avail ourselves of such an operation under the federal system. This service has been of immeasurable value to our patrons in making possible a most orderly and stable method of processing and marketing their soybeans."

## TRANSPORTATION FACILITIES DIVISION

### I. INTRODUCTION

In the 3 years since the end of World War II, the transportation agencies managed to provide essential agricultural transportation service by rail, truck, and water. On the part of the railroads, however, this was accompanied by car shortages, limitations upon the extent of service to shippers, uneconomical delays in transit, and retention of wartime controls over the use of equipment. Although building of new freight cars increased, serviceable car ownership of Class I railroads continued to decline because of greater retirements of worn-out cars. The construction of not fewer than 15,000 new freight cars per month and an accelerated repair program for old cars are essential to the rehabilitation of the railroad fleet in order to bring an end to car shortages, to reduce loss and damage claims, and to provide the transportation services that the current volume of agricultural and industrial production demands.

Railroad equipment has not recovered from the impact of wartime use and neglect. Of the present fleet of approximately 1,736,000 cars of all types, more than 30 percent are now over age and will have to be replaced in the next few years. But to sustain the high levels of production and distribution of recent years, not only the worn-out equipment should be replaced but the number of cars in service should be increased, particularly boxcars and refrigerator cars. This is necessary to bring an end to the repeated car shortages and the uneconomical marketing delays that they create, to permit the reduction of minimum weights per car to normal levels in order to minimize loss and damage to freight in transit, and to permit the restoration of prewar reconsignment privileges in order to provide the widest possible outlet for farm products.

This Division has been actively engaged in making investigations relative to car supply, car shortages and delays, agricultural transportation requirements by regions and commodity, and related problems, and in working with the carriers, shippers, and regulatory bodies in alleviating shortages and getting a proper distribution of the car supply.

### II. TRANSPORTATION FACILITIES

#### A. Railroads

The construction program for new freight cars was improved during the past year, although it still fails by a wide margin to meet needs. Only in recent months has the number of new cars exceeded the number of cars retired. At the present production rate of between 9,000 and 10,000 cars of all types per month, the net gain over retirements is expected to remain at about 3,000 per month. At that rate it will take a long time to obtain any substantial increase in the number of cars available for service.



Evidence of the tight squeeze on rail transportation facilities is found in the following data on freight car ownership:

On June 1, 1948, the Class I railroads owned 694,115 serviceable boxcars, as compared with 695,937 a year earlier, 729,322 on the same date in 1943, and 985,924 as of September 1, 1929. The total railroad and private ownership of refrigerator cars on June 1, 1948, numbered 132,554 cars, as compared with 133,557 a year ago, and a high of 170,348 on January 1, 1933. Class I railroads owned 1,736,520 serviceable freight cars of all types on June 1 this year, 1,737,907 on the comparable date last year, and 2,133,123 on September 1, 1929. New cars of all types on order on June 1, 1948, numbered 127,689, as compared with 109,556 in June 1947.

There were 21,132 locomotives assigned to road freight service on Class I railroads in the month of February 1948, 21,944 in October 1946, and 28,912 in October 1928. With widespread adoption of the more efficient diesel-electric locomotives, the power situation today is considered as reasonably adequate -- at least superior to that of a year ago.

#### B. Motortrucks

Heavier production and sales of motortrucks by manufacturers during the past year are reflected in the greatly expanded number of truck registrations as reported by the Public Roads Administration. Its reports show that for the year ended December 31, 1947, there were 6,521,369 motortrucks registered and operating on the Nation's highways. This figure compares with 5,725,692 trucks registered at the end of 1946, and 4,834,742 for the year ended December 31, 1945.

The increased availability of truck facilities should relieve some pressures on the railroads in moving the large volume of agricultural traffic. An instance of the expansion in long-distance hauling of farm products by truck was the use of trucks for direct delivery of grain from the farm to the final market. Shortages of gasoline for truck fuel, however, may limit the increased use of trucks in some areas. Federal and State motortruck laws and regulations must be made reasonable and flexible to enable the trucks to compete favorably in those fields where they possess an inherent advantage because of mobility, convenience, availability, and economy of operations.

#### C. Water Transport

Facilities for the transportation of agricultural commodities by water, which are chiefly important in movements beyond the first market such as in the transportation of grain on the Great Lakes and inland rivers, may be described as generally adequate. Although facilities on the Great Lakes are sufficient for commodities such as grain, which make up the bulk of the traffic, there is need for the reestablishment of package services.



The intercoastal water carriers have been relieved of revenue difficulties through approval of rate increases by the Interstate Commerce Commission during the year, and those services are again adequate to meet transportation requirements of agricultural shippers.

Pacific and Atlantic coastwise steamship lines obtained the same percentage rate increases, but because much of their traffic is short haul in character they cannot compete favorably. Consequently, these services are now wholly inadequate, and the prospects for restoration of prewar tonnages are very poor. Labor costs at ports have increased so much that operations are unprofitable.

The North Atlantic-Gulf coastwise services have been restored to a limited degree, certain ports having scheduled weekly service, while other ports, such as Beaumont and Corpus Christi, Tex., and Lake Charles, La., have no service whatever. In 1936 there were 9 steamship lines plying the Atlantic-Gulf trades with a total of 52 ships -- deadweight tonnage of approximately 300,000 tons. Today there are only 3 lines operating, and there is room for additional services.

### III. DEVELOPMENT OF PROGRAMS TO MEET EMERGENCY CONDITIONS

#### A. Programs on Transportation and Storage of Grain

A record crop of wheat in 1947 placed an extraordinary burden upon the railroads and the grain storage and handling facilities located in the wheat-growing area. Preceding the harvest, when it became clear from the estimates of the Crop Reporting Board that the harvest would be unusually large, the Division conducted a survey of transportation and storage facilities in each of the major wheat-producing States of the high plains.

Obtaining estimates of production by crop-reporting districts in each State, the Division calculated the approximate amount of farm and country elevator grain-storage capacity that would be available at harvest time to house the new crop, and determined the approximate amounts that would have to be moved by railroad to a place of storage to prevent spoilage. The results of this survey, indicating there would be an unprecedented demand for cars to transport the grain, were furnished to the Office of Defense Transportation, the Interstate Commerce Commission, and the Association of American Railroads. At the request of the Association of American Railroads, Division officials discussed the estimates with the principal transportation officers of the railroads serving the wheat-producing States. As a consequence, exceptional efforts were made by the Association and its member lines to store ahead of the harvest as many boxcars as possible on lines serving the Southwest. The number of available boxcars reached a total of approximately 17,000 by the time the crop started to move.

However, it was anticipated that the rush of that enormous harvest would still overwhelm all the transportation and storage facilities that



could be made available; therefore arrangements were made through the State offices of the Production and Marketing Administration to obtain weekly reports of the transportation and storage situation in each county. The county reports were mailed directly to this Division in Washington. They were analyzed, and a summary was prepared and distributed to the transportation officers of the railroads serving the territory, the Association of American Railroads, the Office of Defense Transportation, Washington and field representatives of the Interstate Commerce Commission, and other interested parties. The reports showed, for each county, the estimated production, the amount yet to be harvested, the amount of grain on the ground on farms and at railroad stations, the number of cars loaded the previous week, and the number of cars needed, together with notes concerning unusual or critical conditions. The reports followed the harvest from the plains of Texas to the Canadian border. They were discontinued in each State as the crisis passed. The situations that appeared to be most serious were followed up with the railroads.

Wheat and other small grains, including sorghum grains, continued to move heavily throughout the fall months of 1947. There was practically no loss of grain in the 1947 movement. Although reports of grain on the ground made from the States of Texas, Oklahoma, Kansas, and Colorado totaled almost 50 million bushels in the week ended July 17, all the wheat was finally cleared off the ground by about October 1, but sorghum grains harvested in the Southwest were held in ground storage until mid-December. During that period the Division was occupied in handling many complaints with respect to car shortages with the railroads and regulatory commissions.

In response to an urgent appeal from the Chairman of the Northwest Grain Transportation Committee, the Division collaborated with other transportation agencies and the railroads a short time before the closing of navigation in early December, in obtaining additional boxcars for loading grain to Duluth for lake movement. Through the timely cooperation of the railroads it was possible to load all available lake vessels before navigation closed, thus taking advantage of economical lake carriage and relieving the railroads.

Wheat loadings, however, fell off sharply after December 1 and remained at unusually low levels until May 1948. This meant that exceptionally large amounts of grain were being held back on farms and in country elevators (particularly the former). In January and again in April the Division advised representatives of the Office of the Assistant Administrator for Production and the Grain Branch of the Production and Marketing Administration that it would be prudent for farmers to move much of this grain from storage positions on farms and in country elevators to storage in terminals so as to avoid an overlapping of a heavy movement of the old-crop wheat and the new-crop wheat. In accordance with this suggestion, the State offices were urged to encourage the movement of grain from country positions during the spring months. For various reasons, however, that movement was not as large as was hoped. As a consequence, when the railroads of the Southwest began to accumulate



cars in the wheat-growing areas ahead of the 1948 harvest, many of them were loaded out with old-crop grain before the new crop commenced to move. On June 2, 12,500 cars were stored on Southwestern lines, which number dropped rapidly to approximately 6,000 cars on June 12. By that time the new-crop movement was under way from the Southern areas, but unquestionably a large number of the stored cars were required for the movement of old-crop grain.

Before the 1948 harvest began, the Division undertook surveys, similar to those made in 1947, which have been described. Its findings were that in most of the winter wheat-growing States the storage facilities should be able to take care of the crop in prospect for this year. After discussions with representatives of the Association of American Railroads and transportation officers of the railroads, it was determined to obtain county reports from only those States where the problem will be critical. Of course, there will be difficulties in the other States also. There will be many blocked elevators and some grain stored on the ground because of the rapid pace of the harvest. The problems in these less critical areas, however, will be handled on an individual basis, and State-wide reports and summaries should not be required.

In the spring wheat area, where a larger crop than last year is forecast, it is expected that county reports will be necessary from North Dakota, South Dakota, and Montana.

#### B. Programs on Transportation of Fruits and Vegetables

Although the volume of shipments of fresh fruits and vegetables has been about 10 percent less than in the previous fiscal year because of unfavorable growing conditions, and car shortages have not been as extensive or serious, the extremely close car supply has made continued careful supervision of the distribution of the car supply essential. As has been stated, the number of serviceable refrigerator cars has continued to decline, being about 1,000 less than at this time last year. Offsetting this is the fact that the new cars manufactured (over 9,000) provide considerably more service than the old cars they replaced, as the old ones were under repair a great deal of time. Nevertheless, we should have a least 15,000 more cars than are now in service to provide adequate transportation for our perishable crops and foods, and until that lack is remedied, we will continue to have car shortages, which will be especially serious if production climbs back to its previous level.

Forecasts, prepared in this Division, of the carloadings of perishable products that require the use of refrigerator cars were discontinued at the beginning of the fiscal year. But because of the interest of representatives of the fruit and vegetable industry in them, arrangements were made for their continuance on a limited basis. At the present time a report that shows the estimated refrigerator car requirements by areas and by type of commodity for each of the 3 succeeding months, is prepared and released each month.



The Chief of the Division, as the representative of the Department, regularly attends the meetings of the National Refrigerator Car Advisory Committee. That Committee, operating under the authority of the Office of Defense Transportation and the Interstate Commerce Commission, reviews refrigerator car requirements, advises the manager of the refrigerator carpool with respect to car needs for various commodities requiring protection and the localities where they are required, and makes recommendations to the Office of Defense Transportation and the Interstate Commerce Commission relating to the establishment of emergency orders for the conservation and use of equipment.

#### C. Programs on Transportation of Livestock

On the whole, transportation facilities for the movement of livestock during the fiscal year were ample, although car shortages of some severity but of short duration developed in New Mexico last fall when feed shortages, due to extreme drought, required the emergency movement of a large number of cattle to other areas. Again, there were shortages of cars in Montana during the shipping season for range cattle last fall. With the great proportion of short-haul movements of livestock now being made by truck, the principal difficulties arise in connection with long-haul movements by rail. Those difficulties were minimized this last year because of the smaller numbers of livestock on farms and ranches. With an increase in livestock numbers, car shortages might become serious, because the number of livestock cars in service on Class I railroads declined from 54,500 on June 1, 1945, to 51,300 on June 1, 1948.

### IV. IMPROVED UTILIZATION OF EQUIPMENT

#### A. Railroad Operating Regulations and Car Movement

In the report of the Branch for the fiscal year 1947, reference was made to the active part taken by the Division before the Interstate Commerce Commission in the Car Service Investigation and in Docket No. 29670, Increased Per Diem Charge on Freight Cars. In the latter case the Division produced evidence relating to existing and impending car shortages to show that the existing charge, then \$1.15 per car per day, was too low. The Division's position, which was supported on brief, was that an increase in the per diem to \$2 per car per day was justified by current traffic and operating conditions and costs, that such an increase would stimulate the carriers to handle loaded and empty cars more promptly, and that such action was necessary in the public interest.

The case was orally argued in July, and the subsequent order of the Commission required that the per diem charge be increased to \$2. Numerous railroads appealed the decision to the District Court for the District of Columbia. The Department intervened on behalf of the Interstate Commerce Commission. In a decision handed down on November 29, 1947, the Court set aside the order on the ground that the Commission did not have the necessary power under the law to enter it, and assuming it

had had such power, the findings of fact were insufficient to sustain it. During the pendency of the proceedings, however, the railroads had voluntarily agreed upon and placed in effect an increase in the charge to \$1.50 per day. The Division considered this amount to be inadequate.

Shortly before the Court case was decided, the Commission issued a Service Order, not related to the Per Diem Case, recognizing that freight cars were being unduly delayed in terminals, in placement and removal from industries; that empty cars were being held too long for prospective loading; that yard checks were not sufficient; and that there were excessive delays in switching. The order prohibited delays in excess of 48 hours to cars in certain stages of railroad operations, but provided that the carrier would not be subject to penalty if a record of each delay and its cause were kept in the office of the Division Superintendent or General Manager. The railroads objected because of the cost of obtaining and maintaining the records. There was also some doubt as to the efficacy of such an order. The effective date was extended three times at the instance of the railroads, which finally offered a substitute agreement plan that went into effect about the first of the year.

Under provisions of the agreement, the railroads offered to be responsible for the proper supervision of car handling in terminals and for the maintenance of necessary records and reports to accomplish the same purposes as those intended under Service Order No. 778. These agreements, entered into by all of the railroads, were filed with the Interstate Commerce Commission to remain in force as a regulation of car movement until June 30, 1948.

The studies under way in the car utilization project will throw light upon the extent, if any, to which those agreements brought about a speedier handling of railroad equipment.

#### B. Utilization of Freight Cars

In response to an urgent recommendation of the Transportation Advisory Committee, which was set up under provisions of the Research and Marketing Act of 1946, the Division proposed a project for the study of car shortages and car delays for the purpose of saving freight car-days, thus providing more cars for loading.

The project was approved in mid-year, additional necessary personnel obtained, and the work begun promptly. Essentially, this was the problem:

The freight car building program had been lagging, replacements were disappointing, and retirements had been heavy, while the demand for transportation continued heavier than ever. Car shortages continued to be alarming, and at the same time there was substantial evidence that avoidable delays in the handling of cars by the railroads were prevalent. Shippers complained of extensive delays in the transportation and delivery of their carload shipments.



The data obtained during the first phase of the investigation are being analyzed and tabulated preparatory to summarizing reports of the findings. These reports will then be available for appropriate action with the regulatory agencies and the carriers. It is contemplated that the investigation will be extended to cover subsequent periods, which will then afford a means for testing the comparative efficiency of railroad operations and the effectiveness of the new agreement plan.

In conjunction with the investigation of car shortages and car delays, a special study was made as to the distribution of time required for a typical freight car trip -- one way loaded and one way empty. By applying a combination of the formulas given, the turn-around time of the average freight car was broken down for purposes of judging the transit time on carlot shipments.

## V. ACTIONS TO MEET CAR SHORTAGES

An important part of the work of this Division has to do with car shortages and related transportation problems of particular areas and agricultural commodities. Appeals come from persons concerned with the prompt handling of farm products, frequently through other branches of the Production and Marketing Administration or other agencies in the Department; from representatives of trades, industries, or market organizations; or directly from the shippers for assistance in obtaining increased service or facilities for special needs as they arise.

In such cases, the Division obtains pertinent facts as to available car supply, volume of shipments, and car requirements, and brings them to the attention of the proper officials of the railroads or other responsible transportation agencies. There is frequently opportunity for the Division to reciprocate by furnishing the railroads with information about crop conditions, storage stocks, and production, as released by the Department of Agriculture. At times the railroads come direct to the Division for specific information with reference to some problem of concern to agricultural shippers. The following are examples of situations which were dealt with during the past year.

### A. Gondola Cars for Southeastern Limestone for Fertilizer

On a number of occasions the Division was requested by the Office of the Assistant Administrator for Production to assist in obtaining gondola cars for the movement of agricultural limestone from plants in Tennessee and Virginia. These complaints were handled in cooperation with the Association of American Railroads and in certain cases direct with the originating lines. As a result, additional cars were provided in sufficient numbers to meet the need.

B. Boxcars for Cover Crop Seeds  
from the Northwest

In September 1947 there was a severe shortage of boxcars in the Pacific Northwest at the time that cover crop seeds, such as vetch and Austrian winter peas, were moving to destinations in the South where they are regularly needed for planting at that period each year. Although the car shortage was critical, enough cars were obtained to meet essential needs.

C. Tank Cars for Soybean Oil  
from the Middle West

Last winter when tank cars were badly needed for the movement, from the Middle West to the North Atlantic ports, of soybean oil which had been purchased for export by the Fats and Oils Branch, the Division collaborated with the Office of Defense Transportation and the New York office of the Commodity Credit Corporation in arranging with certain oil companies for the use of their tank cars. It had been impossible to obtain cars for this purpose from regular sources.

D. Boxcars for Rice and Cotton  
in the Southwest

There was urgent demand for additional boxcars in the Southwest rice- and cotton-producing territory for the movement of those crops during the heavy marketing season. Cooperation of the Association of American Railroads resulted in better flow of cars for the relief of the areas affected.

E. Refrigerator Cars for Fruits  
and Vegetables

At various times during the year complaints of the lack of refrigerator cars for the movement of fresh fruits and vegetables were handled through the Manager of the Refrigerator Car Section, Car Service Division, Association of American Railroads. The movement of potatoes from the late crop-producing States required a large number of refrigerator cars at harvest time and again after the first of the year as potatoes were shipped from storage in the producing areas. With the cooperation of the Association of American Railroads the shortages were promptly relieved.

F. Boxcars for Containers

During the rush of the canning season in the Pacific Northwest States last fall there was a serious deficiency of boxcars to move containers to the canning plants. It was very difficult to get boxcars into that area because of the insistent demands for other essential loading, but after some delay an adequate car supply was obtained.



#### G. Cars for Sugar and Sugar Beets

At the request of the Sugar Branch of the Production and Marketing Administration, the Association of American Railroads was asked to provide additional equipment for the movement of sugar, sugar beets, molasses, and beet pulp. Because of lack of cars, products were piling up at the mills and causing shutdowns. The essential needs were adequately met.

#### H. Canadian Embargo

Assistance was given to fruit and vegetable shippers in States of the Pacific Northwest in order to obtain disposition of cars that were loaded in November 1947 -- the time an embargo was placed by Canada against United States shipments.

#### I. Embargo in New York and New England

Repeated heavy snowstorms in the New England areas during January and February brought unprecedented depths of snow that, together with sub-zero temperatures, slowed the movement of railroad traffic seriously and brought it to a halt in some areas. The resultant congestion, not only on New England lines but also on the New York Central lines in New York, because of failure of the New England roads to accept freight destined to them for delivery, brought about the placement of temporary embargoes on all traffic on the roads affected. For a short time the movement of potatoes from Maine was interrupted, as was the shipment of livestock and poultry feed from plants in Buffalo to points on the New York Central. Even the switching of cars to and from plants on the New York Central at Buffalo was halted. The Division obtained a modification of the embargo to permit one cooperative feed plant at Buffalo to continue in operation.

#### J. Refrigerator Car Shortages Resulting from Storms

A further effect of the heavy snowstorms in the Northeast was to slow down the movement of perishable traffic and delay the return of empty cars to loading points. In one week Florida had the most severe shortage of refrigerator cars in its history. This shortage was partly relieved by the suspension of shipments of potatoes by the Department from storage warehouses in Pennsylvania and New York to the ports, thus releasing cars for Florida. Packing companies on the Ohio River were not getting enough cars to maintain their deliveries. The Division worked with the refrigerator car lines and the railroads to provide the necessary relief to them.

## VI. MISCELLANEOUS ACTIVITIES

### A. Crop Production Goals

Again, as in former years, a statement was prepared for the Department Goals Committee analyzing transportation prospects for the ensuing fiscal year to be used in the determination of crop goals. This report reviewed the situation as to prospective freight car supply, which had not improved materially in the past year, and pointed to the risk of loss in the event loadings were much increased from the current levels or otherwise abnormally distributed.

It was indicated that the increased availability of motortrucks afforded alternative means of transportation for farm products, which would relieve the pressure of heavier demands upon the railroads, depending on the extent to which they could be used.

### B. Transportation of Orchids by Air from Hawaii

In response to inquiries by growers of flowers in Hawaii, the Division made some preliminary studies regarding the possibilities of using air transportation for the expansion of markets on the mainland.

Orchids are now being flown into this country by air mail in limited quantity from Hawaii to Washington, D. C., and other large cities, but not much has been done in the development of volume shipments. Preliminary surveys made by contacting the airlines concerned, the Civil Aeronautics Board, the Department of Commerce, and wholesale and retail florists both in Washington and Chicago showed the need for additional research into the possibilities of this enterprise.

A Marketing Research Committee has been established in Hawaii looking toward the improvement of production and distribution methods for the marketing of orchids. This committee represents the orchid societies of the Islands, flower growers and shippers, the University of Hawaii Agricultural Experiment Station, and airlines. The Director of the Hawaiian area office of the Production and Marketing Administration acts as consultant to the committee.

### C. European Recovery Plan

In October 1947, the Chief of this Division was named to serve on an interagency committee headed by the State Department to review the requirements for materials and equipment needed for the rehabilitation of Europe as set forth by the Paris Committee on European Economic Cooperation. Because of a lack of detailed justification by the claimant countries, it was necessary to determine what additional information was needed for an adequate examination of their requirements. This information, which was obtained through the facilities of the State Department, was evaluated, and a statement was drafted for use in the preparation



of a report to the Congress on over-all requirements. Because of the importance and urgency of this work an additional staff member was assigned to it, and a great deal of time was given to the committee and to meetings with representatives of the European countries who provided interpretations and clarification of the data.

#### D. Coal Strike

When the closing of the coal mines in March 1948 cut off railroad sources of solid fuel, the Interstate Commerce Commission ordered that the mileage of coal-burning freight locomotives be cut -- first to 25 percent, and later to 50 percent -- to conserve the shrinking fuel reserves of the railroads. The order was Service Order 811, effective March 30, and amended effective April 15, 1948. In this order preference and priority were provided for the movement of food, feed, livestock and live poultry, essential ingredients and containers for food processing and manufacturing, and ice and preservatives for food protection. As the coal stocks continued to diminish, additional steps were considered to cut down further the use of coal-burning locomotives. The Division made preliminary studies to assure protection of the distribution of essential foods and perishable agricultural products. Fortunately, the ending of the coal strike by court injunction made further action unnecessary, and the restrictions were canceled on April 30.

#### E. Standard Industrial Classification

Representing the Department of Agriculture on the Transportation Subcommittee of the Interdepartmental Committee on Standard Industrial Classification, members of the Division assisted in the reclassification of transportation companies for the forthcoming revision of the Standard Industrial Classification, in which all types of carriers and companies operating transportation facilities are involved.

#### F. Census of Transportation

In last year's report mention was made of the work done in preparation for a census of transportation in connection with the census of manufactures to be undertaken in 1948 covering the year 1947. Although statistics on railroads and water lines are adequate, data on the use of motortrucks are fragmentary and more information is badly needed. Additional attention was given to this subject during the fiscal year 1948. Recommendations were made to the Bureau of the Budget and the Bureau of Census relating to the form and content of the questions concerning transportation to be asked the manufacturing establishments, and recommendations as to the content of the tabulations to be published in the summary volumes by the Bureau of the Census.

### G. Air Transport Market Statistics

The Chief of this Division serves as a member of the Subcommittee on Air Transport Markets of the Interagency Advisory Committee on Aviation Statistics. He collaborated in the drafting of policy recommendations that were incorporated in a report on air transport market statistics. Special attention was given to the provisions that would have practical significance to agriculture.

### H. Freight Rate Increase Case

Technical and statistical assistance was also provided the Transportation Rates and Services Division of this Branch in the preparation of evidence presented to the Interstate Commerce Commission in Ex Parte 166, Increased Freight Rates, 1947. (See section on "Transportation Rates and Services Division," p. 88, for detailed discussion of this case.)

### I. Other Legislative Actions

Upon the request of the Joint Committee on the Economic Report, this Branch submitted on behalf of the Department a statement urging that the Congress extend the transportation priority powers which had been delegated to the Office of Defense Transportation in order to assure the prompt movement of essential foods, seed, and farm supplies and of perishable commodities. This was one of the recommendations made by the Administration looking toward implementation of the Marshall Plan. That recommendation was adopted by the Congress, and the priority power of the Office of Defense Transportation extended, as recommended, to expire on June 30, 1949.

### J. Investigation of Transportation Activities in Executive Departments

This investigation was undertaken by the Subcommittee on Procurement and Buildings of the Committee on Expenditures in Executive Departments, House of Representatives. At the request of the Subcommittee, a statement was submitted by the Branch outlining the transportation work performed therein, the reasons for the work, and an outline of how it was done. As the Committee was interested in exploring the possibility of consolidation of governmental transportation activities, the conditions that make it necessary for this work to be conducted under the Department of Agriculture were explained. After the presentation the Committee commended the way the transportation work in this Department has been handled.



TRANSPORTATION RATES AND SERVICES DIVISION

I. INTRODUCTION

Every domestic rail, truck, and water rate applicable to agricultural products, with few exceptions, was substantially increased during the fiscal year ended June 30, 1947. Since that date there has been continued pressure to increase all rates, and the Transportation Rates and Services Division has been taxed beyond its resources to try to hold rate increases to a minimum.

Successive petitions for general increases were filed by rail carriers which aggregated 41 percent; coastwise and intercoastal water lines and motor carriers argued that they should be similarly treated. In addition, many existing temporary rail rates published to meet competition were permitted to expire. The expiration of others was opposed by this Division, the agricultural interests, and State authorities, and the expiration was delayed or defeated.

These facts stress the importance of the freight rate work and emphasize to producers and shippers of agricultural products the great effect that transportation costs have on their own business.

The Division's duty is to try to keep transportation charges equitable and services adequate. To see that no unjustifiable increases were permitted without protest kept the transportation rate specialists on the alert.

To make it a little easier for all concerned, the Division endeavored to bring together for concerted action the allied interests in any particular proceeding. As an illustration, upon invitation from the Division over 125 prominent transportation experts from 24 States met in Chicago in August 1947, to discuss the then pending over-all freight rate increase case (Ex Parte 166), and the best ways and means to offer opposition to action by carriers in advancing freight charges on products of the farm. Representatives in attendance included processors and distributors, and members of cooperative marketing associations, national farm organizations, State public service commissions, and the United States Department of Agriculture. A meeting was later held with transportation experts of the agricultural interests in California for the same purposes.

During the year the Division participated in 121 formal proceedings before transportation regulatory agencies, affecting all States of the Nation, as shown in table 4. Although there were increases in freight rates during the last year, these increases, as a result of evidence presented by our specialists, were not as large as were sought by the carriers. It is estimated that savings in transportation charges of over \$190,000,000 were effected through these actions. The total measurable savings from the work of the Division during the past 9 years

are estimated to be over \$1,141,000,000. Table 5 shows a breakdown of these savings by actions.

In the pages which follow some of the principal actions taken during the year are briefly described.

Table 4.- Number of actions taken by the Transportation Rates and Services Division before transportation regulatory agencies, affecting each State, fiscal year 1948

State	Actions	State	Actions
	Number		Number
1. Alabama	45	25. Nebraska	51
2. Arizona	43	26. Nevada	44
3. Arkansas	46	27. New Hampshire	43
4. California	47	28. New Jersey	44
5. Colorado	51	29. New Mexico	50
6. Connecticut	44	30. New York	46
7. Delaware	44	31. North Carolina	49
8. Florida	49	32. North Dakota	50
9. Georgia	48	33. Ohio	52
10. Idaho	51	34. Oklahoma	49
11. Illinois	50	35. Oregon	47
12. Indiana	49	36. Pennsylvania	46
13. Iowa	50	37. Rhode Island	44
14. Kansas	50	38. South Carolina	49
15. Kentucky	47	39. South Dakota	51
16. Louisiana	46	40. Tennessee	49
17. Maine	44	41. Texas	53
18. Maryland	46	42. Utah	51
19. Massachusetts	45	43. Vermont	41
20. Michigan	47	44. Virginia	51
21. Minnesota	49	45. Washington	47
22. Mississippi	48	46. West Virginia	44
23. Missouri	51	47. Wisconsin	52
24. Montana	49	48. Wyoming	49



Table 5.- Estimated savings from transportation actions of the  
Division, 1939 to June 30, 1948 1/

Name of action	Estimated annual saving fiscal year 1948 Dollars	Saving prior to July 1, 1947 Dollars	Cumulative saving to June 30, 1948 Dollars
RAILWAY FREIGHT RATES			
General:			
Ex Parte 148-162	71,640,900	331,958,898	403,599,798
Fruits and Vegetables:			
Fruit and vegetable containers: used, returned	---	1,700,000	1,700,000
Pineapples:			
Florida to U.S.	6,400	46,500	52,900
Watermelons:			
Loading rules in South (I&S Docket 4785)	84,350	512,500	596,850
Citrus fruits:			
Increase in esti- mated weight (I&S Docket 4786)	18,000,000	67,875,000	85,875,000
Potatoes:			
Maine to South (1940-1942)	---	120,000	120,000
Apples:			
Pacific Coast to East (1942-1943)	---	1,560,000	1,560,000
Potatoes:			
Maine to East and South (1944-1945)	---	550,000	550,000
Vegetables (leaf):			
Idaho and Oregon to South (I&S Docket 5061)	79,720	293,400	373,120
Canned goods:			
Florida to Pacific Coast	60,000	235,000	295,000
Canned goods:			
Texas to East (all rail)	---	325,000	325,000
Canned goods:			
Texas to East (rail-water)	150,000	---	150,000

Table 5.- Estimated savings from transportation actions of the Division, 1939 to June 30, 1948 1/ (Continued)

Name of action	Estimated annual saving fiscal year 1948 Dollars	Saving prior to July 1, 1947 Dollars	Cumulative saving to June 30, 1948 Dollars
Vinegar:			
North Carolina to South (I&S Docket 5233)	---	4,150	4,150
Onions:			
Texas to Southeast	19,600	86,500	106,100
Vegetables:			
Texas to North and East	621,600	2,795,000	3,416,600
Frozen foods:			
Pacific Coast to East	15,400	32,700	48,100
Sugar:			
Defeated, cancella- tion of transit privileges (Docket 29078)	---	9,344,612	9,344,612
Vegetables, mixed cars:			
Texas to Northeast (I&S Docket 5218)	72,000	254,000	326,000
Peaches:			
North Carolina to U.S. (I&S Docket 5306)	7,500	13,500	21,000
Peaches:			
South to North (I&S Docket 5476)	540,000	400,000	940,000
Citrus fruits:			
Florida to Northeast	---	250,000	250,000
Potatoes:			
Maine to U.S. (Docket 29161)	315,000	50,000	365,000
Vegetables:			
South to North (I&S Docket 5478)	510,000	750,000	1,260,000
Fruits and vegetables:			
Unloading at New York and Philadelphia (I&S Docket 5500)	2,250,000	---	2,250,000



Table 5.- Estimated savings from transportation actions of the Division, 1939 to June 30, 1948 1/ (Continued)

Name of action	Estimated annual saving fiscal year 1948 Dollars	Saving prior to July 1, 1947: Dollars	Cumulative saving to June 30, 1948 Dollars
Vegetables:			
Idaho and Oregon to East (I&S Docket 5091)	76,500	273,000	349,500
Canned foods:			
Texas to New York	16,000	18,000	34,000
Fertilizers and fertilizer materials:			
Canada to southeastern points	---	9,000,000	9,000,000
Reduced rates within Western Trunk Line territory, April 22, 1948, to June 30, 1948:	325,000	---	325,000
Maximum rates pre- scribed May 6, 1948, in Ex Parte 166	2,415,000	---	2,415,000
In Virginia	520,000	---	520,000
Superphosphate: pro- posed increase in classification defeated	1,650,000	5,743,500	7,393,500
Superphosphate: South to West	180,000	150,000	330,000
Limestone:			
In Virginia	520,000	---	520,000
Reparation on (New York- Pennsylvania)	13,200	---	13,200
Limestone:			
Suspension of 3 per- cent increase in surcharge (Ex Parte 148)	---	3,038,575	3,038,575
Liming materials:			
Government	22,000,000	87,950,743	109,950,743
Commercial	27,000,000	105,000,000	132,000,000
Marl:			
General	1,500,000	---	1,500,000
In Virginia, West Virginia, and Maryland	43,200	31,500	74,700

Table 5.- Estimated savings from transportation actions of the Division, 1939 to June 30, 1948 1/ (Continued)

Name of action	Estimated annual saving fiscal year 1948 Dollars	Saving prior to July 1, 1947 Dollars	Cumulative saving to June 30, 1948 Dollars
Calcium residue:			
In Virginia	4,000	---	4,000
Phosphate rock:			
New Jersey and Massachusetts (Docket 28947)	102,000	189,000	291,000
Florida to Kentucky and Missouri	67,800	209,657	277,457
Illinois, etc. (AAA)	18,500	17,000	35,500
Illinois, etc. (Commercial)	89,500	80,000	169,500
Phosphate rock:			
All territories, 4 cents per ton (I&S Docket 5496)	275,000	160,000	435,000
Maximum rates pre- scribed May 6, 1948: (Ex Parte 166)	850,000	---	850,000
Limestone:			
Missouri to Illinois and Mississippi Valley	862,300	1,423,800	2,286,100
Cotton:			
Southwest to Virginia	3,450	12,860	16,310
Southwest to Southeast and New England	5,280,100	38,118,850	43,398,950
Southwest to Alabama and Georgia	12,800	80,690	93,490
California-Arizona to Southeast, North- east, and Canada	54,300	2,365,020	2,419,320
Alabama and Georgia to Gulfport and New Orleans (I&S Docket 5481)	65,000	---	65,000
Extension of time limit on freight bills	1,500,000	9,250,000	10,750,000



Table 5.- Estimated savings from transportation actions of the Division, 1939 to June 30, 1948 1/ (Continued)

Name of action	Estimated Annual saving fiscal year 1948	Saving prior to July 1, 1947	Cumulative saving to June 30, 1948
	Dollars	Dollars	Dollars
Cotton linters	44,500	85,000	129,500
Cottonseed hulls and shavings	6,000	---	6,000
Cotton bale covering	---	106,792	106,792
Vegetable Oils:			
Increased rates postponed (domestic)	---	4,202,600	4,202,600
Increased rates postponed (imported)	---	1,519,137	1,519,137
Grain and Grain Products:			
Grain:			
Ex Illinois River to East (I&S Docket 4718)	542,608	3,206,476	3,749,084
Bulkheading charge in West and Southwest	150,000	975,000	1,125,000
Government owned, transit rules at Ohio River crossings (I&S Docket 5249)	12,000	23,300	35,300
Government owned, refund of overcharges	---	5,000	5,000
Crosstown switching charges at Kansas City, Mo., canceled	2,121	11,665	13,786
Idaho and Oregon to California and Puget Sound	795,000	---	795,000
Rice:			
Northwest to Northeast via Gulf ports (Docket 5083)	---	72,187	72,187
Southwest to Florida ports	86,500	2,816,000	2,902,500

Table 5.- Estimated savings from transportation actions of the Division, 1939 to June 30, 1948 1/ (Continued)

Name of action	Estimated annual saving fiscal year 1948 Dollars	Saving prior to July 1, 1947 Dollars	Cumulative saving to June 30, 1948 Dollars
Flaxseed:			
Chicago to East	22,300	165,000	187,300
Hay:			
Nevada to Oregon (1943 only)	---	1,100	1,100
Soybean products:			
Transit in California (Docket 28922)	281,000	1,200,000	1,481,000
Coffee:			
Green, reparation on: (Docket 29215)	9,536	---	9,536
<u>Livestock and livestock products</u>			
To, from and within the South (I&S Docket 4779)	120,000	662,500	782,500
Pick-up in Illinois, Iowa, and Wisconsin (ICC Docket 28216)	144,000	1,240,000	1,384,000
Loading and unload- ing charges at Chicago (I&S Docket 5129)	50,000	928,905	978,905
Western district feeder rates	300,000	2,916,000	3,216,000
Exhibition, I&S Dockets 5149 and 5174 (1943 only)	---	72,000	72,000
Loading and unload- ing charges at Cleveland, Ohio	10,000	27,200	37,200
Bridge arbitraries at Memphis and lower Mississippi River crossings (canceled ICC Docket 29366)	42,000	90,000	132,000



Table 5.- Estimated savings from transportation actions of the  
Division, 1939 to June 30, 1948 1/ (Continued)

Name of action	Estimated annual saving fiscal year 1948 Dollars	Saving prior to July 1, 1947 Dollars	Cumulative saving to June 30, 1948 Dollars
Ex Parte 166	140,000	---	140,000
Hoof weights on livestock in Central territory	25,000	---	25,000
<u>Dairy and Poultry Products:</u>			
Butter:			
Portland, Oregon, to California	---	33,000	33,000
Cheese:			
Pacific Coast to East	---	46,660	46,660
Live poultry:			
Free return care- takers in Eastern territory	11,000	694,300	705,300
Eggs:			
Pacific Coast to East	6,000	121,200	127,200
Arbitrary claim rule	1,000,000	1,300,000	2,300,000
Maine to Boston	---	94,500	94,500
Estimated weights	1,200,000	---	1,200,000
<u>Wool and Mohair:</u>			
New Mexico to Boston	---	191,649	191,649
Oregon to Boston	35,000	407,425	442,425
<u>Protective Services:</u>			
Refrigeration Charges:			
Held down increases in cost of ice in Southeast	40,250	425,192	465,442

Table 5.- Estimated savings from transportation actions of the Division, 1939 to June 30, 1948 1/ (Continued)

Name of action	Estimated annual saving fiscal year 1948 Dollars	Saving prior to July 1, 1947 Dollars	Cumulative saving to June 30, 1948 Dollars
Defeat of proposed increase in price of ice charged by carriers in California	875,973	3,301,102	4,177,075
Defeat of proposed increase in re- frigeration charges on frozen foods	386,000	1,175,400	1,561,400
In opposition to carriers' request for 25 percent increase in pro- tective service charges - held to 15 percent, effec- tive January 1, 1947 (Ex Parte 162)	3,265,788	---	3,265,788
In opposition to carriers' request for 41 percent in- creases in pro- tective service charges - held to 10 percent, effec- tive May 6, 1948 (Ex Parte 166)	1,550,000	---	1,550,000
Frozen meats: Saved to WFA by eliminating freezing at ports	---	8,537,500	8,537,500
MOTOR CARRIER FREIGHT RATES 2/			
General rate in- creases	18,158,939	213,520,286	231,679,225
Truck (cotton) North Carolina	8,300	26,200	34,500



Table 5.- Estimated savings from transportation actions of the  
Division, 1939 to June 30, 1948 1/ (Continued)

Name of action	Estimated annual saving fiscal year 1948 Dollars	Saving prior to July 1, 1947 Dollars	Cumulative saving to June 30, 1948 Dollars
WATER FREIGHT RATES			
Export rates:			
Government traffic (ICC Docket 29006)	750,000	13,570,000	14,320,000
Terminal charges:			
Pacific Coast ports (Docket 5146)	630,000	3,300,000	3,930,000
Wharfage charges:			
California ports, MC Dockets 632-651	36,500	264,000	300,500
All commodities:			
Transit at Gulf ports in connection with water lines (I&S Docket 5176)	---	1,077,672	1,077,672
Total	190,552,435	950,680,903	1,141,233,338

1/ The figures in this table cover only the measurable savings resulting from cases in which the Division participated. Many other actions were taken which brought monetary benefits, the amounts of which cannot be determined.

2/ These savings apply to all freight moved by motor common carriers because it is not possible to separate the savings on agricultural products from the savings on other products owing to the absence of reliable data showing the volume of each type of commodity handled.

## II. RAILWAY FREIGHT RATES

### A. General Actions

1. Increased Freight Rates, 1947 - Ex Parte No. 166. As pointed out in the annual report for the fiscal year ended June 30, 1947, the railroads received authority from the Interstate Commerce Commission to increase their rates and charges approximately 17.6 percent, effective January 1, 1947. Notwithstanding this, the same railroads petitioned on July 3, 1947, for further over-all rate increases of 15 percent within and between Southern and Western territories, and 25 percent within Official territory and between Official territory and Southern and Western territories. Certain limits to the size of the increase in cents per hundred pounds were proposed on specified commodities, including a very limited number of agricultural products. The basis of this petition was increased labor and material costs and the low rate of return on the railroad investment.

Just before the first hearing on this petition (September 9, 1947), the railroads filed a supplemental petition dated September 5, 1947, pleading extreme emergency, raising their proposal to 28 percent and 38 percent, respectively, and asking immediate authority for some increases to be effective until the Commission had time properly to hear and adjudicate the main proposal. Following the hearing and argument on the interim petition, the Commission authorized a 10-percent temporary increase, which became effective October 13, 1947. At the same time it announced the dates and places of seven regional hearings and a final hearing in Washington, D. C., on the main issue.

Just prior to the final hearing (December 3, 1947) at Washington, the petitioning carriers again amended their proposal in a second supplemental pleading, raising their requests for increases to 41 percent in Official territory and between that territory and Southern and Western territories, and 31 percent in and between Southern and Western territories. The basis for this last amendment was a further increase in wages granted to some railroad labor.

The Division was represented by staff members or counsel at all of the regional hearings and at the Washington hearing. Counsel, assisted by staff members, extensively cross-examined railroad witnesses in an effort to break down their case for such large increases. Some direct evidence was introduced by the Division, and rebuttal statements were filed, as noted below. A large volume of statistics and rate information was also furnished by the Division to groups working with it - particularly the dairy and poultry, fresh fruit and vegetable, and cotton industries - for their use in presenting their case.

Direct evidence was submitted on behalf of the livestock producers in the form of a comprehensive rate exhibit. Rebuttal statements



were filed on the grain rate adjustments proposed, the proposed rule for increasing combination rates, and the proposed increases in protective service charges.

In a second order, dated December 30, 1947, the Commission authorized an interim increase of 20 percent on most commodities and most services. This 20-percent increase superseded the previous interim 10 percent granted in October 1947, and was to run until June 30, 1948, unless sooner terminated, modified, or superseded. In this order no special consideration was granted to any agricultural commodity. The order, however, did exempt protective service and demurrage charges. The increase was published to become effective January 5, 1948.

In their original petitions for general increases in this proceeding, the railroads had suggested certain specific limits, in cents per hundred pounds, to the increases on certain agricultural commodities. Cooperating with the associations of agricultural producers and shippers, the Division made an informal request to the railroads to make these last increases subject to their proposed limits. The request was complied with, and on January 13, 1948, a schedule was published subjecting the rates on fresh fruits and vegetables to a 20-cent per cwt. maximum; on cotton, 10 cents per cwt.; on agricultural limestone and marl, 30 cents per net ton; on vegetable oils, 18 cents per cwt.; and on sugar, 18 cents per cwt.

On April 13, 1948, the Commission issued still another interim report. In this one it permitted the cancellation of all previous increases and authorized a different scale of increases, as follows: Within Eastern territory, 30 percent; within Southern territory, 25 percent; within Western territory, with some exceptions, 20 percent; and interterritorially between Southern and Western Territories and between those territories, on the one hand, and Eastern territory, on the other, 25 percent. This order also included similar increases on all accessorial charges, except on protective services where the increases were 10 percent, and, as the previous order, it exempted demurrage charges. It did at the same time hold down the authorized increase on grain and grain products to 25 percent in Eastern territory.

This last order recommended, too, that the specific limits on certain commodities, as suggested in the railroads' petitions, be observed. These latter increases became effective on May 6, 1948. On specific agricultural commodities and farm supplies the following limits apply: cotton, 11 cents per cwt.; fresh fruits and vegetables, 22 cents per cwt.; fertilizer and fertilizer materials, \$1.60 per net ton or \$1.80 per gross ton; limestone and marl, 33 cents per net ton; vegetable oils, 20 cents per cwt.; phosphate rock, \$1.20 per net ton; and sugar, 20 cents per cwt.

At the end of the fiscal year, the proceeding had not been closed. A final report and order are to be issued by the Commission.

The rail carriers supplemented their Tariff of Increased Rates and Charges (X-166-A), and proposed to make effective July 12, 1948, an additional increase of 5 percent (from 20 to 25 percent) to, from, and between borderline points (Zone 1-2) in Western Trunk Line territory, also certain other increases generally in Western territory. On June 29 the Department protested the unauthorized increases and, by petition, requested the Interstate Commerce Commission to reject the supplement or suspend the effective date until a fair and impartial investigation could be conducted into the reasonableness, discrimination, and preference of the proposed increases as well as the prejudice that would be created by its operation.

2. Aggregate of intermediate rates rule. For a good many years the carriers have been granted permission to publish in their tariffs a rule permitting the substitution of the aggregate of intermediate rates for through overhead rates, when the combination of intermediate rates would provide lower total charges. The lower combination through rate is permitted to be applied over any route authorized in the tariff from point of origin to destination so that all carriers, parties to the through overhead rate, would be on an equal basis in protecting the lower through-combination rate, however constructed. Ordinarily the carriers would be expected to publish as a through one-factor rate the lower combination discovered in the course of business, but they have consistently failed to make any such publication of the lower combination rates.

The vicious part of the "aggregate rule" is that it permits shippers who are alert to pay lower rates and charges on shipments than are paid by shippers who are unable to discover the lowest combination of rates or who don't bother to check the rates.

Before extending the permissive orders for a further period, the Interstate Commerce Commission asked this Division to furnish its views with respect to the present aggregate of intermediate rates rule in carriers' tariffs. The Division advised that it believed the existing situation violates Section 6 of the Interstate Commerce Act, which requires the publication of "plain" rates. The Division suggested that the present aggregate rules should be canceled from the carriers' tariffs, and in lieu thereof a rule which would make it obligatory upon the carriers to publish the lower combination rates as fast as they were discovered or reported to them by interested shippers, should be substituted. The Commission also asked other representative shippers and shipper organizations for their views. Unfortunately the Department of Agriculture was the only party objecting to the existing tariff situation.



The Commission was favorable to the Department's views, but because of the satisfaction expressed by other shippers, it decided to extend its "special permission" to the carriers for an additional indefinite period.

#### B. Actions on Fruits and Vegetables

1. Watermelons - deficit rule in Southeast. Attempts by Southeastern railroads to cancel the deficit rule insofar as it applied to freight charges on carload shipments of watermelons from the Southeast to certain destination territory in the North were discussed in last year's report. This rule provided that in certain territories shipments of watermelons which became deteriorated in transit might be abandoned to the carriers at destination. The salvage that the carriers were able to obtain was to be accepted as freight charges on the shipment, and there was no further recourse to the shipper or owner.

The final decision of the Interstate Commerce Commission was that the rule as published and applicable was unreasonable and prejudicial to the areas where it had no application. The railroads were permitted to cancel it, but the Commission did say that the publication of such a rule is not unlawful if it is properly applicable and not prejudicial or discriminatory.

2. Fresh fruits and vegetables - South to North. Two separate proceedings grew out of an action of the Northeastern railroads to permit certain so-called "competitive" rates on fresh vegetables and peaches from the Southeast to the North to expire March 31, 1947.

As stated in the last annual report, on petitions filed by the public utilities commissions of the Southern States, the national and local trade organizations, and this Division, the Interstate Commerce Commission suspended the proposed action, and hearings were set for July and September of this fiscal year. The case on vegetables was heard at Jacksonville, Fla., in July. The Division's representatives testified on behalf of producers and shippers and presented many exhibits. Briefs were filed and the case was orally argued.

In its decision handed down in December 1947, the Commission authorized increases of 10 cents per hundred pounds on Florida traffic destined to New York City, and 7 cents per hundred pounds on Florida traffic destined to other northern points. On traffic originating in other Southeastern States, the full increase up to the former "normal" basis was permitted. Considerable interest in the South has resulted in the reopening of this case by the filing of a formal complaint attacking the rates as unreasonable.

The Division also took an active part in the proceeding concerning peaches, which was heard at Atlanta, Ga., in September. Considerable evidence was given, and a complete set of exhibits was

presented. Briefs were filed, and the case was orally argued.

In a report and order dated June 29, 1948, the Commission found the proposed increase neither just nor reasonable and ordered the carriers to continue the lower basis of rates in effect. This victory is a major one, as it is estimated that the proposed increases would have added \$2,000,000 annually to the transportation bill.

3. Fresh fruits - partial unloading in transit. It has been customary for the railroads handling fresh peaches to permit shipments of this fruit originating in the Southern States to be stopped in transit for partial unloading when shipments are destined to Western and Southwestern territories. This arrangement has been utilized to quite a large extent because the small markets in those areas cannot use a carload of peaches at one time without considerable loss from deterioration.

Such arrangements were not available in Southern and Eastern territories on Southern peaches, and for that reason the railroads proposed to cancel them in the other areas mentioned. Believing that any restrictions such as those proposed might interfere with the distribution of the crop, the Division, cooperating with the peach growers and receivers, requested a suspension, which was granted. The case was heard at Atlanta, Ga., in September 1947, and a member of the Division testified and introduced pertinent exhibits. Briefs were filed, but there was no proposed report or oral argument.

In its report and order dated June 18, 1948, the Commission found that the railroads had not justified the proposed discontinuance of the partial-unloading-in-transit arrangements and directed that the suspended schedule be withdrawn on or before July 30, 1948.

4. Fresh fruits and vegetables - unloading charges. Effective June 1, 1947, the railroads serving New York City and Philadelphia published a schedule of charges to be assessed for the unloading of fresh fruits and vegetables from cars to docks or piers amounting to about \$30 per car. The additional costs proposed herein would have had to be borne by either the producer or consumer and were sufficient, in the minds of some, to reduce the tonnage of fresh fruits and vegetables offered for sale in these two markets. Because of the peculiar conditions surrounding these two markets, it is contended that the proposed charges are unlawful in that the cost of making this traffic accessible for delivery to ultimate consignees is included in the line-haul rates. Protests to that effect were filed by about 50 interested parties, including this Division.

The schedules were suspended, and the issues were heard at New York City in July 1947. The Division participated through a witness and counsel and introduced a great deal of pertinent evidence and a



comprehensive exhibit. Briefs were filed, and the case was orally argued in September 1947. The matter was set down for reargument before the entire Commission in May 1948. The final decision has not yet been handed down.

5. Fresh vegetables - estimated billing weights. From the evidence in previous cases, the Interstate Commerce Commission became convinced that the estimated billing weights on some fresh vegetables are so low as not to represent properly the actual average weights. After several admonishments to the railroads to correct this unlawful situation, the Commission, on its own motion, instituted a proceeding involving the weights on fresh carrots, lettuce, beets, and turnips originating in California. Later, because of the competitive situation, New Mexico and Texas were included in points of origin.

Hearings were held in Los Angeles, Calif., and Harlingen, Tex., during October 1947. The Division was represented at both hearings. The participation of the Division was confined to its insistence that if increased estimated weights were found lawful, such increases should be accompanied by reduction in the rates, so that the transportation costs per package might not be increased. No evidence was introduced. The participation was confined to cross-examination and filing of briefs. An Examiner's proposed report was issued, and exceptions thereto were filed. The matter was orally argued in April 1948, and the decision is now awaited.

6. Canned fruits and vegetables. The Division has long advocated a system of giving the shipper a choice of a lower rate for a more heavily loaded car or the prevailing rate for a regular load of certain commodities as an incentive toward the greatest possible utilization of the available car supply. The Southeastern railroads agreed to such an adjustment on canned goods originating in Florida, and, effective December 31, 1947, published rates on a 60,000-pound minimum at 85 percent of the present rates on the 36,000-pound minimum.

Numerous protests against the new rates were filed by steamship companies, port authorities, and competitive canned goods interests. The Interstate Commerce Commission, in response to these protests, suspended the rates, and a hearing was held at Washington, D. C., in January 1948. Briefs were filed, and the issues were orally argued in March 1948. No decision has yet been made.

The Division appeared on the side of the railroads and supported their proposed adjustments, because of the established policy that heavy loading should be accompanied by lower rates to recompense shippers for added expense and because of the increased revenue to railroads at less operating cost.

7. Combination rates under Ex Parte 162. Many agricultural commodities move on combination rates at some time, in and between some territories. In its decision in Ex Parte 162, the Interstate Commerce Commission said that in connection with combination rates the authorized increase should be applied to the sum of the factors, subject to any specified limits which were prescribed.

Pleading tariff publication complications, the railroads proposed a new rule by which the increases would apply to each factor of the combination with no reference to any specified limits. This appeared to be an attempt to go beyond the authorization of the Commission and was therefore objected to by many interests, including the fruit and vegetable industry, the canned goods industry, and this Division. The proposed new rule was suspended by the Interstate Commerce Commission, and the issues were heard at Washington, D. C., in March 1948. The Division testified through two witnesses and counsel who took the position that it would not be too difficult to take the traffic known to move on combination rates as of June 30, 1946 (prior to the authorized increases), publish such rates as through rates, and subject them to the increases of Ex Parte 162, which would recognize the specific limits were authorized.

Briefs were filed. Oral argument is now awaited, after which a final decision will be issued.

8. Refrigeration - half-stage icing. As previously reported, during the war when supplies of ice were inadequate at times, the Division induced the Interstate Commerce Commission to order the railroads to permit the use of half-tank refrigeration at a charge of 78 percent of the full bunker service. Rules, regulations, and charges were published in the National Perishable Protective Tariff with an expiration date of December 31, 1947.

In order to retain this service, this Division and trade organizations requested that the railroads cancel the expiration date and make this a permanent service in the tariff. On October 24, 1947, the Division was informed by the railroads that this service had been extended for another year, or until December 31, 1948.

Recently it was learned that one of the largest shippers of fresh fruit has recommended the use of half-stage icing in order to reduce his refrigeration charges.

9. Refrigeration - potatoes from California. During the war years the shippers of Kern County, Calif., potatoes moved all their shipments under standard refrigeration. This method of refrigeration was used for two reasons: First, to equalize the distribution cost to all shippers, and second, to cooperate with the railroads to the extent of relieving them of the burden of furnishing greater quantities of ice at any one icing station. The method of icing for the past several



seasons has been initial icing after loading has been completed, and re-icing in transit.

Now that the supplies of ice are adequate and additional facilities have been installed, the shippers felt that the use of pre-iced cars would give their shipments more adequate refrigeration. Also, in view of the fact that on shipments of citrus fruits the standard refrigeration charge for a dry car is \$6.33 less than that of a pre-iced car, they concluded that they are entitled to the same adjustment. The railroads refused to grant either request and proposed to amend their tariff by restricting the use of pre-iced cars for California potatoes.

This amendment was protested by the trade organizations, as well as by this Division. Up to the present time no further action has been taken by the railroads. The Division was informed that the restrictive proposal was dropped.

10. Informal actions affecting fruits and vegetables. A great many additional items in connection with fruits and vegetables, fresh or under various methods of preservation, have been handled during the past year.

Successful actions taken relative to maximum increases in freight rates under the Increased Freight Rate Case, 1947 (Ex Parte 166) were outlined earlier in this report. The Western railroads requested and received permission to refund overcharges on shipments originating between January 5, 1948, and January 13, 1948, the period during which the maxima were not effective. The Division, cooperating with the trade associations, suggested to the carriers that the overcharges be handled in this way in order to obviate the necessity of informal complaints to the Interstate Commerce Commission on each car shipped on which the percentage increase exceeded the specified maximum.

At the request of the Texas canned goods interests, support was given to a proposal to establish through rail-water-rail rates on their traffic from Rio Grande Valley canning points through the Gulf ports to and through the North Atlantic ports. The requested rates were published and now the Texas canners know exactly what it costs to ship when they desire to use the lower rates of the water routes.

The Southwestern railroads inaugurated lower competitive rates on grapefruit from the Rio Grande Valley of Texas in 1940. The production of oranges in that area was extremely small at that time, and similar reductions on oranges were not considered necessary. Now that orange production has increased, the Division is cooperating with the Texas interests to have the rates reduced to the level of those for grapefruit.

Two proposals for reduced rates on unmanufactured tobacco from the Southeastern-producing area to border crossings for export to Mexico have been advocated. It was represented to the Division that this foreign market can use a considerable amount of the exportable grades of tobacco and relieve the domestic market to some extent. The Division is also assisting the Southeastern tobacco interests in the establishment of commodity rates to certain points where storage is available but to which the present class rates are prohibitive.

The high costs of transporting canned, dried, and frozen fruits and vegetables from the Pacific Coast to eastern consuming centers is causing concern among the processors. Negotiations are now under way for substantial reductions in the rates on these commodities, and the Division is taking an active part.

### C. Actions Concerning Fertilizers and Fertilizer Materials

1. Fertilizer and fertilizer materials within Western territory. For some time this Division, in cooperation with farmer cooperatives and fertilizer manufacturers in Western territory, has been trying to persuade the rail carriers to reduce the rating on fertilizer and fertilizer materials from 17-1/2 percent to 16 percent of the first-class rates. The carriers agreed to do this and modified the tariffs to become effective April 1, 1948.

Because the reduction in rating was accompanied by an increase in the minimum weight from 30,000 pounds to 60,000 pounds, the tariffs were protested by certain interests, and suspension was granted by the Interstate Commerce Commission.

For several years ODT General Order 18-A has required the loading of 60,000 pounds, and the fertilizer trade has become accustomed to the 60,000-pound minimum; therefore, the Division petitioned the Interstate Commerce Commission to vacate the suspension of the items of the tariff containing the reduced rating. The Commission honored the petition and amended the order effective April 22, 1948, by vacating the suspension and discontinuing the investigation. Savings of approximately \$1,560,000 per annum are indicated, based on the 1947-48 tonnage involved.

2. Fertilizer and fertilizer materials - Ex Parte 166. In Ex Parte 162, which became effective January 1, 1947, general increases in rates were authorized by the Interstate Commerce Commission, and certain limits in cents per 100 pounds or cents per ton were stipulated in the order. In the case of fertilizer and many fertilizer materials, the increases were limited to 6 cents per 100 pounds or \$1.20 per net ton. In Ex Parte 166, however, no limits were prescribed in the supplemental orders of October 6, 1947, and December 29, 1947, and freight



charges on all fertilizer and fertilizer materials were subjected to the full 20-percent increase without a maximum or "hold down."

This Division, on February 9, 1948, petitioned the Interstate Commerce Commission to prescribe reasonable and equitable "hold down" rates on these commodities, and the third supplemental order in the Ex Parte 166 proceeding authorized, effective May 6, 1948, a limit of \$1.60 per net ton or \$1.80 per gross ton, just in time for the planting season. Because "mixed fertilizers" seldom move for long distances, it is estimated that the maximum charge of \$1.60 per net ton could affect only 20 percent of the total movement, but in the case of fertilizer materials, such as potash, sulphate, or nitrate of ammonia, fully 80 percent of the total movement would be involved. During 1947 a total of 15,039,000 tons of fertilizer and fertilizer materials were moved, and the forecast for 1948 is even greater. Therefore, a conservative estimate of the annual freight savings from this action would be not less than \$11,500,000.

3. Fertilizer rates in Virginia. This proceeding was listed in last year's report, which was released some time before the Virginia State Corporation Commission had reached a final decision. The Virginia Commission denied the rail carriers' petition to increase rates 20 percent with a maximum of 6 cents per 100 pounds or \$1.20 per ton on this traffic moving in intrastate transportation, although the Interstate Commerce Commission, in Ex Parte 166, had authorized the above increase in interstate transportation.

During the fiscal year there was a movement of approximately 650,000 tons of fertilizer and fertilizer materials in intrastate transportation in Virginia, all of which would have been subject to an increase in freight charges of 20 percent, with a maximum of 6 cents per 100 pounds or \$1.20 per net ton, less the increase of 3 percent previously authorized by the Virginia Commission. This represents a saving of 17 percent, or an average of 80 cents per ton in freight rates, or approximately \$520,000.

4. Phosphate rock - maximum or "hold down" rates in Ex Parte 162. This case has been reported on previously. However, since a hearing was held during this fiscal year, a summary of the case will be given. The Interstate Commerce Commission order which became effective January 1, 1947, prescribed a maximum or "hold down" rate of 30 cents per ton on phosphate rock. Effective February 24, 1947, the carriers proposed to revise this maximum charge to 30 cents per net ton and 34 cents per gross ton. The Division protested the proposed increase and petitioned the Interstate Commerce Commission to suspend this increase pending an investigation. The carriers withdrew the supplement to the tariff containing the proposed increase. However, they republished the same increase and scheduled the effective date as May 30, 1947. The Division again filed a protest against the proposed increase, and suspension of

the tariff followed under I&S Docket No. 5496. After hearing, the Commission denied the proposed increase, maintaining the maximum at 30 cents per ton, net or gross.

It is conservatively estimated that from February 1, 1947, to June 30, 1948, consumers of phosphate rock were saved \$435,000 in freight charges.

5. Phosphate rock - maximum or "hold down" rates in Ex Parte 166. Additional increases in rates authorized by the Commission in Ex Parte 166 contained no maximum or "hold down," and charges were increased 20 percent. Fertilizer manufacturers, cooperative farm organizations, and farmers complained to this Division that the high freight rates and charges on phosphate rock specifically, and fertilizer materials in general, were increasing the cost of fertilizers to such an extent that purchases were being curtailed.

A representative of the Division filed a petition with the Interstate Commerce Commission on February 9, 1948, requesting that reasonable and equitable maximum rates be prescribed on fertilizers, fertilizer materials, and phosphate rock. It was necessary to specify phosphate rock separately because that commodity is not considered a fertilizer material and is never shown in descriptions of such materials. In fact, the present basis for rates on phosphate rock as prescribed by the Interstate Commerce Commission is 75 percent of the fertilizer and fertilizer material rates. In the 3rd Supplemental Order in Ex Parte 166 the Commission responded to the request and prescribed \$1.20 per net ton, or \$1.35 per gross ton, on phosphate rock. This action reduced freight charges on phosphate rock from an average of \$1.95 per gross ton to a maximum of \$1.35 per gross ton, or a reduction of 60 cents or more. On a production of 9,000,000 tons the freight savings will amount to \$5,000,000 annually and for the period May 6 to June 30, 1948, approximately \$850,000.

6. Defluorinated phosphate rock in Southern territory. When last year's report was issued, no decision had been reached on this case, but suspension of the tariffs had been obtained by this Division. No decision has as yet been rendered. However, since the reduced rates are operative, the Department will not press for a final report.

7. Limestone rates. The Interstate Commerce Commission in several proceedings laid down rate scales on limestone in certain territories. There are also standard rate scales created and recognized by the rail carriers such as the "T295," the "Bowe," and other scales applicable in each rate territory. These rate scales are used in asking the carriers to establish point-to-point one-factor through commodity rates whenever a movement develops.

This Division has been instrumental in establishing hundreds of these point-to-point commodity rates, and anticipates establishing many



more. As a one-factor through commodity rate is generally lower than a two-factor commodity or class rate, its application results in freight savings.

8. Limestone from Missouri mines to Southern territory. After disapproving the original proposal to establish one-factor through car-load commodity rates from River Mines and Flat River, Mo., to destinations in the Mississippi Valley on the basis of 12 cents per ton over the rates from Krause, Ill., the Southern Freight Association adopted and recommended publication of through rates on the T295 joint line scale for distances via Cairo, Ill. The rates published range from 10 cents to 30 cents per ton higher than the scale proposed by the producers and this Division. The final adjustment, however, resulted in reductions ranging from \$1.50 to \$3.00 per ton. The limestone will be used in Government soil rehabilitation programs and for commercial purposes.

9. Marl in Virginia. Successful negotiations were concluded by the Division with rail carriers to establish and maintain on marl the rates that are currently applicable on limestone in the State of Virginia. This basis has been previously in effect in West Virginia and Maryland. Prior to negotiations, marl was subject to the same rates as those published on fertilizers. For average hauls in Virginia the rates on fertilizers exceed those on limestone by about \$1.50 per ton or about \$80 per car on the heavier loading marl. Estimated freight savings from January 24, 1948, the effective date of the reduction, to June 30, 1948, are estimated at \$15,800.

10. Calcium residue from Waynesboro, Va. There is a stockpile of approximately 500,000 tons of calcium residue accumulated from the operations of a rayon mill at Waynesboro, Va., and more will accumulate with continued operation of the mill. This material was applied to the soil in experiments to remove excess acids, and it was found to be satisfactory as a substitute for ground limestone.

The published rates on calcium residue were deemed prohibitive. Negotiations have been completed between the Division and the carriers to publish and maintain rates comparable with those applicable on ground limestone for acid soil treatment. The Department moved 80 cars of more than 50 tons each, and contracts for more of this material are being negotiated. The material will also be sold direct to farmers by the operators. Savings in freight charges of approximately \$40 to \$100 per car are indicated.

#### D. Actions on Cotton

1. Time limit on freight bills. As indicated in the last annual report, for many years the normal time limit on cotton stored in transit has been 12 months. During the war, when most all export channels were

closed, the domestic mill requirements were insufficient to consume each year's production; therefore, by 1944 the "carry-over" had accumulated to approximately 25,000,000 bales.

This Division induced the rail carriers voluntarily to extend the time limit each year, first to 24 months, then to 36 months, and finally to 48 months in Southwestern and 40 months in Southern territories so that the "carry-over" could ultimately move on the basis of the one-factor through commodity rate origin to final destination. Many millions of dollars were saved in freight rates because the combination of rates into and out of the storage points would have increased freight charges more than 40 cents per 100 pounds or \$2 per bale.

However, when conditions began to approach normal again, the carriers proposed to reinstate the 12-month time limit. The Division opposed the resumption of the 12-month limit and proposed in lieu thereof a 20-month limit. The proposal of 20 months was disapproved by the Southwestern Freight Bureau lines, but several of the principal lines were persuaded to give the Bureau definite notice of their intention to operate the 20-month rule independently. The new rule is now in effect and will be of much benefit to farmers, dealers, and others, in that it will provide an additional 8 months to dispose of their cotton, including those bales that may be carried over into the next season.

2. Cotton from southwestern Oklahoma origins to southern mill points with stop in transit at Gulf ports. This proceeding and the part taken by this Division were discussed in the last annual report. It can now be added that the Examiner's proposed report was favorable and contained recommendations requested by the Division. The one-factor through commodity rates have been in effect for more than 2 years now, and will remain in effect until and unless the Commission's final decision is unfavorable, which would be contrary to the evidence and the Examiner's recommendation.

3. Cotton from points in Alabama and Georgia to Gulfport, Miss., and New Orleans, La. Our previous report contained reference to the proposed publication of increased carload rates on cotton from Alabama and Georgia origins to Gulfport, Miss., and New Orleans, La., for export; and it was stated that if permitted to become effective, no domestic rates would be available other than the general mileage scale, which was considered prohibitive. The Division, in cooperation with Gulfport and New Orleans interests, protested the increases and obtained suspension of the schedules.

Directly after the hearing, which was conducted in New Orleans, October 29 and 30, 1947, the interested rail carriers requested permission to withdraw the proposed increases and cancel the tariff. The Division offered no objections, and the old rates were thus maintained. A fair estimate of freight savings cannot be furnished at this time as a record of commercial movements is not available. However, during the



period November 1944 to October 1945, the United States Department of Agriculture moved from the same origins 23,728 bales, weighing 12,173,936 pounds, to Gulfport, and 5,798 bales, weighing 2,969,491 pounds, to New Orleans, at a total freight cost of \$55,156.23. Under the proposed rates the freight charges would have amounted to \$86,447.89, or an increase of \$31,291.66. Commercial shipments should greatly exceed those made by the Department. Therefore, an estimate of \$65,000 in savings would be conservative.

#### E. Actions on Grain and Grain Products

1. Wheat and coarse grain for export. The Eastern railroads have had under consideration since April 1948 a proposal to increase by 7 cents per hundred pounds the export rates on wheat and coarse grains to the North Atlantic ports from the Mississippi River, Illinois, and Central Freight Association points. A member of the staff was sent to Buffalo, N. Y., on April 22, to oppose the proposal at a public hearing before a joint conference of the railroad rate committees. His representations made to the railroads were submitted on behalf of the Commodity Credit Corporation, agricultural producers, and cooperative associations of producers. He was also authorized to speak for seven State regulatory commissions of the larger western grain-producing States. Facts and figures were presented to the conference with respect to: (1) The volume of grain and flour movement, both Government and commercial, via the North Atlantic ports for the past 3 years; (2) the history of the export rates from the origin territory mentioned and their relation to other export rates on grain from the same territory; and (3) the need for consideration of Section 3 (1A) of the Interstate Commerce Act in connection with the disposition of the proposal.

The proposal is presently on the conference docket but has not been acted upon. If the carriers decide to publish the change, the Division expects to ask the Commission to suspend the increased rates and set the matter for formal hearing so that we may have an opportunity to present evidence in opposition thereto.

2. Grain: market and gateway relationships - Ex Parte 162. Increased rates on grain and grain products were proposed by the rail carriers in Western Trunk Line, Southwestern, and Official territories, to restore market and gateway combinations disrupted by the general percentage increase in Ex Parte 162.

Upon protest filed by the Division and similar protests by State regulatory commissions, and other interests, the proposed rates were suspended and set down for hearing. A member of the staff presented testimony, together with an extensive exhibit supporting the Department's position.

The decision rendered on March 31, 1948 resulted in approval of various key rates which the Division sought. These were the rates from Missouri River markets to Chicago, Peoria, and St. Louis, 1/2 cent less than those proposed by the carriers, and from Minneapolis to Chicago 1/2 cent less than proposed.

The Texas, Louisiana, and Arkansas group rates from the markets were reduced from 1/2 to 1-1/2 cents per 100 pounds. In other words, the savings amount to from \$5 to \$15 per car on much of the wheat and other grains originating in the heavy grain-producing States of the west and moving eastbound or southbound. It is estimated that the savings will reach several million dollars annually.

3. Market equalization of grain rates - Ex Parte 166. Subsequent to the release of the third supplemental report of the Interstate Commerce Commission in Ex Parte 166 on April 13, 1948, the railroads operating in various rate territories decided to readjust the intermarket rates on grain and grain products to restore gateway, market, and port equalizations which were disrupted by the horizontal percentage increases approved in the third report. A member of the staff attended a shipper-carrier conference of the Western Trunk Line and Southwestern Rate Committees at Chicago on May 14, at which time proposals were offered by the carriers and shippers. As yet the final readjustment has not been agreed upon and published in the tariffs.

4. Grain and grain products from Chicago, Peoria, St. Louis and related gateways to Central territory. The Central territory lines proposed a revision of the proportional rates on grain and grain products from Chicago, Peoria, St. Louis, and related gateways to destinations in Central Freight Association territory, effective June 30, 1948. This revision is being made to restore the gateway relationships disrupted by the third supplemental report in Ex Parte 166. The rates proposed will result in many additional increases in the Ex-Trans-Mississippi River proportionals from Chicago and make the through rates from Minneapolis 1/2 cent less than the through rates from the Missouri River markets to Central territory destinations. This revision appears to be contrary to the decision of the Commission in the Southwestern Millers League Case 227, ICC 795. The Division joined other interests in protesting to the Interstate Commerce Commission, and the proposed rates have been suspended in I&S Docket 5582, which is assigned for hearing in Washington, D. C. on July 29, 1948.

5. Detention charges at Gulf ports. For the past year or more there has been a controversy between the Commodity Credit Corporation and the railroads over the application of the general rate increases to the charges for detention of numerous cars of grain at the Gulf ports for export. The Corporation has taken the position that the charges published for car detention are demurrage and not storage charges, and therefore not subject to Ex Parte increases approved by



the Interstate Commerce Commission in recent cases. Accordingly, payment of overcharge bills has been refused for the past year or more. Recently the matter was referred to the Bureau of Traffic of the Interstate Commerce Commission for an informal ruling. The Division filed with the Bureau an extensive statement of facts in support of the position taken by the Corporation. If the informal ruling is unfavorable, the propriety of taking formal action will then be determined. The work on this case is being done at the request of the Commodity Credit Corporation on a reimbursable basis.

6. Grain from Idaho, Utah, and Oregon to Pacific Coast. This proceeding relates to rates on grain and grain products from producing territory in Idaho and in small parts of Oregon and Utah to Puget Sound, Columbia River ports, and points in California. It is an investigation instituted by the Commission upon its own motion. The case and the activity of the Division therein have been fully reported heretofore, at which time it was before the Commission for decision.

The Commission decided the case July 25, 1947. Rates were substantially revised downward to the benefit of producers, millers, and elevator operators, particularly to destinations in California south of San Francisco and Stockton and to north Pacific ports, such as Portland and Seattle. The Commission found that the rates for line-haul transportation were too high and that charges made by the railroads for out-of-line service for milling and other purposes should be wiped out entirely. Reductions in the rates range from 2 cents to 11 cents to California destinations; and from 1 to 4 cents to North Coast territory.

The rates were published effective December 1, 1947, after the Commission, in response to request of the carriers, had granted permission to establish the new rates on 15 days' notice.

7. Inspection in transit from Canada. This proceeding involves suits filed by railroads against the Commodity Credit Corporation to collect about \$6,200 additional charges, based on combination of local rates, on grain shipped from points of origin in Canada to various destinations in California. This case has been previously reported, and since that report the Department of Justice has selected one suit to be used as a test case, that is, Petaluma and Santa Rosa RR vs. Commodity Credit Corporation, No. 205597, originally filed in Municipal Court in San Francisco.

The United States Attorney General has asked for the views of the Division, which are being prepared and will be furnished through the Office of the Solicitor of this Department to the Department of Justice. The work on this case is being done at the request of the Commodity Credit Corporation and its cost paid for by that agency.

8. Routing grain in Central territory. These proceedings, pending for several years, have been discussed in previous reports. The issue in the first case turns on what constitutes reasonable routing on grain and grain products from Central territory, Western Gateways, that is, Chicago, Peoria, and E. St. Louis, Ill., and related points to destinations within the territory. At the hearings the Division supported the position that it is in the producers' interest that liberal and adequate routing be published in Central territory so that the traffic may flow to consumers through established and necessary transit points and thus aid in the preservation of competitive markets.

On October 8, 1947, the hearing examiner submitted a proposed report recommending that a full line of reasonable rates be established subject to various conditions outlined. On March 2, 1948, reply was filed to exceptions taken by respondent carriers to the report proposed by the examiner.

The Division assisted counsel for protestants and the Office of the Solicitor in preparing for the oral argument on April 8, 1948, in support of the Examiner's proposed report. The proceeding has not yet been disposed of.

9. Grains: Ex-lake from Lower Lake ports to North Atlantic ports for export. By schedules filed to become effective November 3, 1947, the Eastern lines sought to cancel rules published in the "at and East" tariffs governing insurance and storage charges at Buffalo, N. Y., Erie, Pa., and Oswego, N. Y., on Ex-lake grain for export.

The effect of the cancellation would have been to increase the charges for storage in the elevators by doing away with the 5 days' free storage authorized under the present rules and to relieve the carriers of liability for loss and damage during the time required to transfer the grain from the lake vessels to the railroad cars.

Tremendous quantities of grain have been moved down the lakes from Duluth, Superior, and Chicago during the last two navigation seasons for export to Europe. The carriers' action would have a very detrimental effect on the export program for the relief of European countries and would also impose additional cost on the taxpayers.

Upon protests from the Division and other interested parties the Commission suspended the increased charges and set the matter for hearing in Washington, D. C., on December 4, 1947. Later the hearing was indefinitely postponed pending conclusion of negotiations between the parties.

The matter was satisfactorily adjusted by negotiation and the proceeding discontinued by order of the Commission dated May 10, 1948.



10. Alfalfa, grain, and grain products in the Southwest. This case involves proposed increases in rates published to become effective August 5, 1947, by the Southwestern Lines, including the Burlington and Union Pacific Railroads (I&S 5517). The Division protested and requested suspension of numerous rates on alfalfa meal in carloads. Other parties protested various other increased rates. The desired changes were made by the railroads in response to the Commission's direction in Ex Parte 162 to restore recognized relationships as soon as possible.

F. Actions on Livestock and Livestock Products

1. Livestock - Ex Parte 166. A petition was filed by the Division with the Interstate Commerce Commission on June 18, 1948, seeking modification of the Commission's third supplemental order of April 13, 1948, in the above mentioned proceeding, with respect to carload rates on edible livestock. Livestock originating in the West and moving to territory east of the Illinois-Indiana State Line is subject to combination rates. The eastern components of these combination rates were increased 30 percent effective May 6, 1948, pursuant to the Commission's latest order in the general revenue case (Ex Parte 166).

In the latter order the increase approved on grain and grain products in Eastern territory was limited to 25 percent. In its petition the Division requested the same treatment of livestock rates in the East as was accorded to the rates on grain and grain products. Grain, like livestock, is produced extensively in the Western District and moves to the East on prescribed rate break combinations made over the primary markets and Western gateways of Official territory such as Chicago, Peoria, and St. Louis. The comparable nature of the Eastbound interterritorial rate structures on livestock and grain has long been recognized by the Commission. The Department contends that for the purpose of general rate increases both commodities should be treated the same.

In the petition the Division suggested that a special order be issued to rectify the situation or that it be taken care of by the final order in Ex Parte 166.

2. Livestock to, from, and within the South. Oral argument in this case, which has been on the Commission docket since 1943, was heard by one of its divisions on July 1, 1947. The Division assisted those who presented the argument in the preparation of material for submission to the Commission.

Under the carrier's application for relief from the long and short-haul clause of the Interstate Commerce Act, it is proposed to maintain higher carload rates on livestock over direct routes through the Ohio River markets than are charged on the same traffic from more distant points in the South, thereby discriminating against producers who market a substantial amount of livestock at the affected markets,

such as Louisville, Ky., Cincinnati, Ohio, and Evansville, Ind. These markets are patronized extensively by producers who market a large volume of livestock through cooperative associations and commission companies operating at Louisville, Evansville, and Cincinnati.

3. Fresh meats and packing house products to Southern Classification territory. Since 1946 numerous complaint cases have been pending before the Interstate Commerce Commission attacking as unreasonable, under Section 1 of the Act, the carload rates on fresh meats and packing-house products to Southern Classification territory from origins in Western Trunk Line, Southwestern, Central Freight Association, Southern, and Eastern Trunk Line territories. It is anticipated that the outcome of these cases will materially affect rate adjustments and rate relationships on the same traffic in other territories.

Hearings on these complaints were scheduled for November 10, 1947, at Chicago but postponed because of the conflict with Ex Parte 162. The Division has worked up a series of rate and statistical exhibits to be offered at the hearings, and these data will be brought up to date for use at such time as the complaints come up for hearing.

4. Livestock pick-up service in Illinois, Indiana, Iowa, Wisconsin, Minnesota. It was proposed to cancel arrangements of long standing, by which the rail carriers pick up carload shipments of livestock originating in Illinois Freight Association territory when destined to Chicago and certain other markets or pay an allowance in lieu thereof. The Division opposed this move as did producer and market interests at the time the subject was considered by the railroad committees in October 1947. Following the hearing before the Commission on March 9, 1948, it was developed that the arrangement was exceedingly difficult to police and was not being used extensively at many of the origin stations where it has been in effect. Consequently, a new proposal to cancel the existing arrangements was filed on June 26, 1948, but has not yet been subject to public hearing.

5. Livestock from West to South. Livestock which moves from Western territory to the South is subject to combination rates made on the lower Mississippi River Crossings, Memphis and south thereof. The Division has actively supported a proposal now before the Southern Freight Association under which the Memphis combination of rates would be applied via E. St. Louis on traffic from the West to destinations on the Gulf, Mobile, and Ohio Railroad. The proposal has not been acted upon as yet.

6. Hoof weights on livestock in Central territory. Under a tariff provision, freight charges on livestock at public markets have been assessed on the basis of hoof weights with adjustment for shrinkage allowance. The Central territory rail lines proposed to revise the tariff rule to provide that the expense of obtaining hoof weights



shall be borne by the shipper. This proposal was vigorously protested by the Division and livestock interests. A public hearing was held, but no action has been taken by the carriers' committee.

7. Livestock feeding in transit. Informal complaints involving large claims for overcharges assessed for feed furnished to livestock in transit under the 28-Hour Law are pending before the Interstate Commerce Commission. At the request of interested parties the Division passed along to them the results of its investigation on the subject. These cases relate to a controversy as to the quantity of feed that the rail carriers should furnish and charge to the shipper or consignee in the absence of specific instructions from the owner. Unless a favorable decision is rendered on the informal complaint, it appears likely that formal complaint proceedings will follow.

8. Livestock loading and unloading charge. There is a proposal under consideration by the Southern rail lines to impose loading and unloading charges on livestock in carloads when destined to private stockyards adjacent to public stockyards. The Division has opposed the proposal, which would increase the charges by several dollars per carload of livestock. These extra charges would accrue not only at destination but for stops enroute where necessary to comply with the 28-Hour Law.

9. Proposed increase in West. Rail carriers propose to add, effective July 12, 1948, an additional 5 percent to the rates that apply on livestock or other agricultural commodities originating in certain Western States when destined to markets at Kansas City, Omaha, and South St. Paul, and to country points located adjacent thereto. Formal protest was filed by the Division on June 29 against the proposed increase.

#### G. Actions on Dairy and Poultry Products

1. Transit charge increase - Official territory. The Joint Conference of Official territory lines proposed to establish what it considered a uniform transit charge of 9 cents per 100 pounds to be applied to the outbound billed transit weight on butter, eggs, cheese, poultry, fruits and vegetables (fresh or frozen), fruit juices, edible nuts, prepared food products, frozen fish, fresh meats, and packing house products.

The transit charge applicable to most commodities is 4 cents per 100 pounds; and to some other commodities, \$8.67 per car. The minimum weights in effect are from 20,000 pounds up to capacity loads in excess of 100,000 pounds under Office of Defense Transportation regulations. The present charges, therefore, range from \$8 to approximately \$41.20, depending upon the commodity and volume shipped. If the supposedly uniform transit charge of 9 cents per 100 pounds were adopted by Official territory railroads, the charges would be advanced to a minimum of \$18 up to approximately \$92.70 per car, with prospects of such charges being advanced an additional 30 percent in accordance with the increases granted by the Interstate Commerce Commission in Ex Parte 166.

Believing the carriers' proposal to be unreasonable and inequitable, the Division arranged to have a staff member appear at the public hearing held in Buffalo, N. Y., in July 1947, and join with trade and producer representatives to protest its adoption. As a result of this mutual effort the carriers decided to continue the subject on the docket. No positive action for its adoption has yet been taken. Meanwhile, with the 4-cent rate advanced to 5-1/2 cents under Ex Parte 166, there have been considerable savings effected; whereas, if an adverse disposition of the proposal had been made, the charges would have been increased by 6-1/2 cents to a total of 12 cents per 100 pounds, instead of 5-1/2 cents now in effect.

2. Shell eggs - estimated weights. Upon completion of a 6-month survey, the Consolidated Classification Committee proposed to adopt increased estimated weights on cases of shell eggs in lieu of the present estimated weight of 53 pounds. The weights as proposed were 58 pounds if packed in wooden cases, and 54 pounds if packed in fiberboard cases.

The Division did not believe the proposed estimated weights to be fair and equitable to all concerned because of the fact that eggs generally move in volume at variable weights and sizes throughout the different seasons, with the bulk of the heavy-weight eggs moving during the period used in the study. Also considered was the fact that the over-all actual shipping weights of eggs vary in different parts of the country. For these reasons a member of the Division attended the hearing held in Chicago in July 1947 to protest the adoption of the dual and increased estimated weights. This position was amply supported by producer and trade representatives.

In consideration of the reasons advanced by the Department and representatives of the trade, the Consolidated Classification Committee concluded to continue test-weighing eggs until December 31, 1947, so as to have complete information regarding weights of eggs throughout the full 12 months of the year. This action saved for the egg shippers of the country freight charges on 600 to 3,000 additional pounds per carload. It has been reported, however, that the railroads have completed their survey of the over-all weights of about 38,000 cases of eggs and will announce their findings at a meeting in September 1948.

3. "Commodity rates" on dairy products to East. In connection with the application of Ex Parte 162 increases on dairy products from origins in Western Trunk Line territory to destinations in Official Classification territory, the Western railroads proposed to amend several principal tariffs containing "Commodity Rates" by changing the captions thereon to read "Arbitraries." By so doing, the percentage of increase on these commodities would be 22½ percent instead of 20 percent, as authorized by the Commission on specific "Commodity Rates" in Ex Parte 162. The proposal, therefore, attempted to defeat the Commission's orders.



This Division opposed the adoption of the change in wording. In response to its protest, it was informed that the proposal was not approved, and only certain low rates would be adjusted to avoid Fourth Section departures. A considerable saving in transportation charges for producers was involved because the originating territory is where the major part of our country's dairy products is produced, and shipped to destination in Official Classification territory.

4. Milk and cream in Western territory. A proposal was filed by the Western Baggage and Milk Traffic Committee covering increased scales of rates to apply in Western territory on milk and cream and related products, less than carload, in regularly operated baggage cars, and sweet milk and cream in carloads. The suggested scales of rates were substantial increases in charges for less-than-carload lots, particularly in connection with the shorter hauls on commodities moved in 5-gallon and 8-gallon size cans, and, contrary to the general practice, the suggested carload scale of rates was substantially higher than the less-than-carload scale. In addition to this, the proposed higher rates were to be subject to such further increases as may be decided by the Commission in Ex Parte 166.

Because of the instability of rates at that time and the uncertainty of rates for the future, this Division did not believe that present rate structures should be revised upward, nor that carload rates should be higher than less-than-carload rates. Therefore, it went on record with the carriers in opposition thereto and requested that such rate scales be withdrawn from consideration, pending final decision and order from the Interstate Commerce Commission in Ex Parte 166 proceeding.

Public hearing on the subject was held on January 13, 1948, wherein the request of the Division was considered, and at the conclusion of the hearing the railroad committee accepted the recommendations made by the Division and other participants in the case.

5. Proposed changes in packing and inspection of eggs. Last year's report explained the position the Division took against the Consolidated Classification Committee's Special Docket issued on April 18, 1947, containing proposals for changes in packing and inspection of eggs. Exception was taken to 10 specific objectionable features which, if adopted, would have a tendency to wipe out claim payments on eggs damaged during transportation. Opposition expressed during the two public hearings on the subject brought results because upon consideration of the objections raised by the Division and other parties of record the railroads adopted and made effective on August 7, 1947, only 1 of the complained-of issues. In answer to an inquiry relative to support for a request for suspension, the Division was informed by interested parties of record that no objections would be made by the industry, and the industry would accept as a compromise this 1 measure, as the other 9 objectionable issues were canceled from the docket.

6. Changes in rules and regulations on eggs. On February 27, 1948, in a special docket issued by the Consolidated Classification Committee, another attempt was made to have established rules and regulations on rail shipments of eggs, which were considered unreasonable and unlawful. These endeavors on the part of the railroad representatives were, it seems, designed to give the carriers a legal (published) basis for denying responsibility and consequent claims in connection with damage to carloads of eggs during rail transportation. In effect, these published rules and regulations would violate the Interstate Commerce Act.

On the basis of statistics furnished this Division, the contemplated rules and regulations would result in absolving the carriers from paying claims estimated at \$500,000 per year for damage sustained in carloads of eggs arriving at the New York market. Such losses would have to be passed back to the producer or absorbed in the selling price and passed on to the consumer, but in no way would the rules and regulations eliminate or modify the causes of damage resulting in the abnormal and excessive claims. Therefore, at a public hearing in Chicago, Ill., before the Consolidated Classification Committee, on March 31, 1948, a member of the Division participated and vigorously opposed the adoption of the contemplated rules and regulations on the grounds of their unlawfulness. Nevertheless, on June 17 the Classification Committee issued, to become effective July 24, a supplement to the Consolidated Freight Classification containing substantially every rule and regulation which the Division opposed. The Division filed a protest on June 30 with the Interstate Commerce Commission requesting that the supplement be suspended pending an investigation into the reasonableness and lawfulness thereof.

The Division is preparing to defend and substantiate its position if the Commission suspends the schedule and docket the subject to hearing in accordance with our request.

7. Minimum loading requirements for eggs. During the past year several attempts were made by the Division to convince the Office of Defense Transportation that the heavier loading rule effective on carloads of shell eggs since November 1, 1942, should be rescinded or modified because of the undue burden it imposes upon the egg shippers of the country, and that the prewar loading limits should be restored. The Office of Defense Transportation advised that it could not see its way clear to accept our recommendations because of the unavailability of a sufficient volume of refrigerator cars. The refrigerator car situation is being watched and as soon as there is any indication of relief in sight, the Division will resume its efforts to have this wartime restriction removed.

8. Butter, eggs, and dressed poultry. In a prior report reference was made to the position and supporting action taken by this Division in connection with the proposal filed by interested Iowa shippers for the restoration of established differentials in rates



applicable on carloads of eggs, butter, and dressed poultry when moving from Dubuque as compared with Mason City and other points in Iowa to destinations in Trunk Line territory.

In September 1947 the Division was informed that the subject was considered at the Western Trunk Line Freight Traffic Managers Committee meeting on September 10, 1947, and was deferred and continued on the docket.

9. Trans-continental rate reduction on dressed poultry. A proposal was filed by one of the West Coast trade associations with the Trans-Continental Freight Bureau requesting a reduction in eastbound rates on dressed poultry from \$3.95 to \$2.78 per 100 pounds. The action was taken by the association after much collaboration with this Division, which for the past year and a half compiled and sent material and statistics for the purpose of substantiating the association's position.

The West Coast producers of turkeys, it seems, are finding it increasingly difficult to market their poultry in the East, and unless they are accorded some measure of relief in the exceedingly high trans-continental freight rates, they may be forced to curtail turkey production and confine their shipping to only such West Coast markets as will and can absorb a limited volume. Statistics show that there is quite a heavy volume of dressed poultry (turkeys) shipped east from the Pacific Coast States, and to a lesser extent a fair volume of dressed poultry (chickens) shipped from the Eastern States to the West Coast markets.

After the initial proposal was filed with the railroads, an Eastern shipper made a similar request for corresponding rates to apply on westbound traffic.

Because these reductions would be of material benefit to both East and West Coast poultry producers by effecting substantial savings in freight charges, and would be a factor in keeping production on both coasts at present high levels, this Division went on record with the Transcontinental Freight Bureau requesting that the railroads take affirmative action and publish the lower rates. The Division is preparing to take a further active part at a public hearing on this subject and, if necessary, will participate in a formal action before the Interstate Commerce Commission.

10. Eggs - transportation tests on experimental shipments. In cooperation with the Poultry Branch, transportation tests of experimental shipments of eggs were conducted. Four experimental carloads of eggs were shipped from Sauk Center, Minn., to destinations at New York City and Mineola, L. I. The purpose of these tests was to determine the best packing material and how it could be used effectively to curtail egg damage during rail transportation.

Upon arrival of the cars, the Department representatives examined the eggs for damage, determined the extent and location of such damage, made other detailed observations, and recorded the date.

A report of these findings was issued at a meeting held in Washington, D. C. on June 9 and 10.

#### H. Action on Wool and Mohair

On June 10, 1948, 13 months after the filing of the briefs, the Interstate Commerce Commission released a report of the hearing in Docket No. 28863 - Wool and Mohair Rates. It was proposed by the Examiner that "The general adjustment of rates on wool and mohair, in the grease and scoured, and on wool tops, in carloads and less than carloads, and rules, regulations, and practices in connection therewith, be found not shown to be unreasonable or otherwise unlawful, except in specific instances."

The report covers actions of the Commission in previous wool cases over a period of years from 1910 to 1930. The record of the case shows the economic plight of the wool producers and the rate situation as it was in 1946, when the hearings were held. The examiner made an exception to shipments of wool that could be loaded to 40,000 pounds per car by proposing a 20-percent reduction in the present rates. This rate is still 5 percent more than the Commission prescribed in the 1923 general wool rate investigation in which it set a carload minimum weight of 32,000 pounds for baled wool.

The proposed report is unsatisfactory to the wool interests. A meeting has been called for July 20, 1948, in Denver so that an agreement can be reached by the Steering Committee on the proper procedure for filing briefs of exceptions to the Examiner's report. The filing date is August 27, 1948, and replies to the exceptions are due September 15, 1948. It is anticipated that oral argument in the case will be held sometime during October 1948. Final decision will not be rendered until several months after the argument.

Participating in the case, in addition to the Division, are many public utilities commissions, national wool associations, farm organizations, and individual persons interested in the transportation of domestic wool. All segments of the wool industry concerned with the shipping phase are represented. They are in agreement as to the necessity for lower rates in order that wool producers may remain in business. Production of domestic wool has consistently decreased in the past 6 years, and the 1947 yield was the smallest since the Civil War. High freight rates, of course, are not wholly responsible for the economic situation of the wool producer. It is the conclusion of all parties on the side of the wool producer in this case, however, that the wool rate structure was placed at too high a level in 1923. Briefs of exceptions will be directed towards the reduction of the wool rate structure to a lower level.



## I. Actions on Fish and Fish Products

On April 1, 1948, a transportation specialist was added to the staff to work exclusively on getting equitable freight rates established for fish and fishery products. After studying the present rate structure, he discussed fish transportation problems with fish shippers and distributors in Chicago, Duluth, Seattle, San Francisco, Monterey, Los Angeles, San Diego, Denver, Kansas City, and St. Louis. Great interest was manifested by them at all of the meetings. Many letters from the various fishery people ask for assistance in obtaining equitable freight rates and services.

The Division requested the Railway Express Agency to investigate immediately and to take necessary steps to improve its services in the Great Lakes Region and Central States in the handling of fresh fish. It also intervened, in behalf of the fishery people, with the Express Company to oppose a general increase in the estimated weights of fresh fish when shipped with wet or dry ice. It intervened in east-bound trans-continental freight rates; Gulf and East Coast rates to Chicago; and East Coast rates to Central States. It requested carriers to explain excessive time in transit of fish and its products, especially in trans-continental movement, now as compared to service rendered before the war. Every day that these cars are in transit, refrigeration costs are added to the costs of marketing the product.

## J. Other Rail Freight Rate Actions

1. Denver Federal Center. The Denver Federal Center is situated on the Denver and Intermountain Railway (Electric) several miles west of Denver, Colo., at a station known as Remaco, Colo. The Center consists of many warehouses which are used by various departments of the Federal Government for storage and other purposes.

Shipments to and from Remaco are ordinarily subject to a combination of local rates in and out of Denver. Several years ago all railroads operating into Denver contracted with the electric line to deliver all shipments to Remaco, at the protection of the through rates. Late in 1947 carriers proposed to cancel the contract and charge the local rates from Denver in addition to the rates inbound to Denver.

Through negotiations with the railroads and representations that wool tonnage would increase with the erection of the modern laboratory the carriers discontinued attempts to cancel the underwriting service to the electric line and allowed the through rates to continue.

2. Government freight. In what is known as the Cudahy Case, I.C.C. Docket No. 29167 (263 ICC 503), the Interstate Commerce Commission released a decision that the Federal Government was not entitled to transit privileges when the continuity of a movement of material was

broken. This appears to be a reasonable decision, but carriers throughout the United States have used the Commission's decision as an excuse not to extend transit arrangements to the Government when shipments are forwarded from the transit point on Government bills of lading, even though the continuity of movement is not broken. Commercial operators are allowed the privileges when the commercial bills of lading are used; therefore, the carriers create an apparent discrimination against the Government.

On June 11, 1947, a meeting was held to decide on a course of action that would remove the discrimination. Representatives from the Departments of Agriculture, Treasury, Navy, and War, the Marine Corps, Reconstruction Finance Corporation, and General Accounting Office attended. It was agreed that it would be preferable to appoint a committee to meet with the carriers rather than to enter into lengthy correspondence in order to convince them that the Government should receive the same consideration as other operators in the handling of transit.

Meetings were held on October 22, 1947, in Atlanta, Ga., with the Southern Executive Committee and on February 3, 1948, in Chicago, Ill., with the Western Executive Committee, at which representatives of the Government obtained commitments from the railroads that would remove the discriminations and enable the Government to use Government bills of lading from the transit points at the protection of the through rates. This will result in a considerable saving to shippers of inbound materials subsequently purchased by the various Government agencies at transit points.

Negotiations are now in progress for a meeting in July with the Eastern Executive Committee in order to obtain the same agreement as has been obtained from the Southern and Western carriers.

### III. MOTOR CARRIER FREIGHT RATES

Motortruck transportation is of vital importance to the economy of the Nation, and particularly to the agricultural segment. This mode of transportation in recent years has been used more and more in moving agricultural produce to market and in transporting supplies back to the farm. This has come about principally because of the fact that motor transportation is the most flexible of our major transportation systems, being able to reach any community or farm, provided there is a road upon which to travel.

Of the  $5\frac{1}{2}$  million trucks registered in the United States in 1946, over 80 percent were considered to be owned by private carriers. It is estimated that at least 35 percent of all trucks registered were owned by farmers. On the other hand, an estimated 12 percent were regulated common or contract carriers engaged in inter-city or local



hauling. Private carriers and trucks hauling unmanufactured agricultural products are exempt from Federal rate and route regulation. From these figures the importance in motor transportation of the unregulated carrier is immediately apparent. Likewise, it can be readily seen that any regulation or interpretation of present laws which has as its design the restriction of the operation of trucks, as to routes, rates, or services, will result adversely to the income of the farmer and the volume he can market, and eventually lead to increases in the prices the consumer is called upon to pay for basic agricultural commodities and a less varied diet.

The regulated carriers, including common carriers, or those carriers which operate on a fixed schedule and published rates, and contract carriers, or those which haul under contract with shippers and operate at any time over any route, transport large quantities of agricultural products. While making up a relatively small percentage of the total registration, regulated carriers move a far greater proportionate amount of the total tonnage. Because many agricultural producers are dependent upon regulated carriers to move their products to market, the rates, routes, and services of these carriers, as in the case of the unregulated carriers, are of great interest to the agricultural community and have a significant effect upon its final net income.

The primary function of this Division in the motor carrier field is to keep trucking of farm and food products as flexible and economical as possible. Regulation of routes, limitations on the number of trucks that can operate over a given road, and other restrictions of this nature constitute a barrier to the free movement of products and prevent a maximum distribution of farm and food products. Higher rates than are necessary to give economically operated trucking lines a fair return on a fair value of their property over and above their operating expenses simply make the cost of transportation unreasonably high. There is no problem in achieving these objectives with the unregulated carriers, but when carriers become regulated as to rates and routes, their operations lose flexibility; their numbers are limited; and their rates, instead of being set by competition, are determined by the regulatory body. Thus, the main duties of the Division in the motor carrier field are: (1) To keep as much of the trucking of farm and food products as possible free from rate and route regulation, and (2) for those trucks that are regulated, to try to keep rates reasonable and services adequate.

Since the beginning of Federal regulation of rates and routes of motortrucks in 1935, there has been a constant tendency to cut down the scope of the exemption granted agricultural commodities by bringing more and more operations under regulation. To illustrate, in a recent decision, commonly called the "Harwood Case," it was held that a truck hauling fresh spinach that had been washed, cleaned, and

packaged in a cellophane container would have to obtain an operating permit and be subject to a regulatory body. In previous decisions it has been held that the shelling of peanuts causes them to lose their exemption from control as an agricultural commodity, as does the pasteurizing of milk, the cleaning of rice, the dressing of poultry, and many other operations which are incident to the marketing of agricultural commodities. In addition to this constant bringing in of more agricultural trucking under regulation, studies show that since these regulatory powers were granted, rates charged by the regulated truckers have been increased time and again.

The financial picture of the regulated carriers filing annual and quarterly reports with the Interstate Commerce Commission is portrayed by the Q-800 statement for the year 1947 which has just been released by the Commission. This report covers 1,495 inter-city Class I motor carriers of property for all regions of the United States and shows the following results:

Total operating revenues were \$1,210,677,221, an increase over 1946 of 29 percent; net operating revenue amounted to \$59,148,814, an increase of 76 percent over 1946; net income after income tax totaled \$39,671,671, a 67-percent increase over the previous year, and the operating ratio for 1947 was 95.1 as compared with 96.4 in 1946. In other words, the carriers as an industry almost doubled their profits in 1947 over 1946.

In addition, the motor carrier financial position is indicated by a number of studies made by us of the carriers' annual reports on file with the Commission. These studies were made for presentation at hearings involving the revenue needs of the carriers, and showed that on the average the carriers in 1946 and 1947 earned in excess of 20 percent return on their investment in transportation property. These studies showed that in less than a decade the carriers have been able through profits to increase manyfold their net worth, with relatively little equity investment from sources other than accumulated surplus. It follows, we feel, that since expansion of facilities has taken place largely through reinvested profits, rates in the past have been sufficient to maintain the standard of existing services, and provide, in addition, the bulk of the investment capital required in the trucking industry to meet a rapidly increasing transportation demand. However, notwithstanding these operating results, the motor common carriers have asked for and received substantially the increases allowed the railroads.

The Division has taken the position in all of the general revenue cases that rates which provide earnings considerably in excess of those allowed in other regulated industries are unreasonable and result in an unnecessary hardship upon the shipping public. The "fair rate of return on investment" approach to profit measurement in the trucking industry as developed by us, while at first ignored by



the carriers, is now receiving careful attention in the question of financial need. The motor carriers themselves recently have made studies along the lines indicated above, and other transportation economists have begun to direct their attention to the rate-of-return theory as applied to motor carriers.

The Commission itself has not yet expressed a clear-cut opinion as to the proper yardstick for measuring the reasonableness of motor carrier rates. In general, the Commission, in granting motor carrier rate increases, has made reference to rising costs as the primary reason for the need of additional revenue, without saying anything about the profit level.

A brief description of the formal motor carrier litigation in which the Division participated during the fiscal year is as follows:

A. Petition for Reopening the Harwood Case.

This petition arose out of the Norman E. Harwood contract carrier application, which was a request by a Michigan motor carrier to obtain a permit from the Interstate Commerce Commission to haul fresh vegetables which had been washed, cleaned, and placed in cellophane containers. The Commission, in an order dated December 1947, granted the operating permit, thus deciding the question of whether or not this carrier was exempt from regulation by the Interstate Commerce Commission in the following language, "the washing, cleaning, and packaging of fresh vegetables in cellophane bags or boxes for sale to consumers place such commodities in the ordinary channels of commerce and remove them from the class of unmanufactured agricultural commodities falling within the practical exemption of Section 203(b)(6), of the Interstate Commerce Act. Applicant accordingly requires authority to perform the transportation of such commodities."

In light of this interpretation of the Commission regarding the exemption clause, the Division filed with the Commission a petition dated April 9, 1948, for leave to intervene in the Harwood case. This petition was granted shortly thereafter. On May 10, 1948, the Division filed another petition, and other interested agricultural groups and shippers filed petitions, urging the Commission: (1) To reopen for rehearing the Harwood case; (2) simultaneously and upon its own motion to institute a general investigation into and concerning the scope and applicability of the agricultural commodity exemptions in Sections 203(b)(4a) and 203(b)(6) of the Interstate Commerce Act, and to reopen other cases in which the same issue is involved; and (3) to set the above matters down for hearing on a consolidated record.

On June 21, 1948, the Commission issued an order granting this petition in full, with the exception of the request to reopen other cases in which the same issue is involved. The order indicated that the Commission would allow at least 90 days before holding the hearing in order to give the Department and other interested groups time to prepare their case.

The purpose of this case is to determine definitely which truckers of farm and food products are subject to federal control of rates and routes and which truck operations are exempt.

B. Motor Carrier Rates, Central States Territory

The original investigation in this consolidated litigation dates from February 1946, when the Central States motor common carriers filed tariffs with the Interstate Commerce Commission containing rate increases ranging from 1-1/2 to 19-1/2 cents per 100 pounds, applicable to shipments weighing less than 5,000 pounds. Although these increases were permitted to become effective, an investigation was ordered under Docket No. MC-C-518. This docket was later combined with MC-496 and I&S M-2726, both involving additional increases in rates and charges for motor carriers in Central States territory. The combined increases sought by the carriers are in excess of 25 percent above the rates in effect on March 17, 1942.

This Division participated in all of the hearings held in these cases, and in the most recent hearing held in Chicago, beginning July 31, 1947, offered extensive testimony and exhibits to support the position that the rate increases were not required because these carriers on the average were already earning in excess of a 35-percent rate of return on their investment.

On April 6, 1948, the Commission released an Examiner's proposed report in which it was held that the increased rates and charges in issue for the most part were just and reasonable. On May 14, 1948, the Department filed exceptions to this Examiner's report, pointing out a number of errors and omissions. As yet there has been no decision by the Commission in this litigation. However, several additional increases in motor carrier rates above the rates in question here have been permitted Central States carriers by the Commission, the most recent of which is now under investigation in I&S No. M-2878.

C. Motor Carrier Rates, Middle Atlantic Territory

Of the three proceedings discussed here, No. MC-C-528 is an investigation by the Commission on its own motion into the reasonableness and lawfulness of a general increase of 4 percent on shipments of 6,000 pounds and over and of 15 percent on shipments of less than 6,000 pounds moving by motor common carriers, in interstate or foreign commerce, within the Middle Atlantic States territory and between that territory and Central States and New England territories. The increased rates and charges therein were permitted to become effective by the Commission on April 15, 1946, subject to the present investigation.



No. MC-C-544 is an investigation by the Commission, likewise on its own motion, into the reasonableness and lawfulness of a general increase of 15 percent on shipments of 5,000 pounds and less moving by motor common carrier, of the single respondent, Continental Transportation Lines, Inc., and into the rules, regulations, and practices affecting such rates and charges.

No. MC-C-882 is an investigation, also instituted by the Commission on its own motion, into the reasonableness and lawfulness of a basic increase of 5 percent in the rates on shipments moving by motor common carriers, respondents herein, between points in Middle Atlantic States territory and a basic increase of 7.5 percent in the rates of respondents on shipments moving between points in certain portions of that territory and points in New England territory.

A system of arbitrary areas was created by respondents within Middle Atlantic States territory, and respondents have imposed further specified rate increases, in addition to the above-described basic rate increases, on shipments moving from and to points within such areas. The basic and so-called arbitrary area rate increases combined appear to amount to an over-all increase in respondents' rates in excess of 16 percent. These increased rates were permitted to become effective by the Commission on January 6, 1947, subject only to this (No. MC-C-882) investigation.

Of the present proceedings, No. MC-C-528 and No. MC-C-544 were initially heard jointly in Washington, D. C., on November 12 and December 18, 1946. No. MC-C-882 was the subject of an initial 3-day hearing held in Washington, D. C., beginning on April 22, 1947. On October 20, 1947, a hearing, which related to the three proceedings, was held in New York City. The Division participated in all the hearings, presenting testimony and exhibits. In addition, it prepared for late filing, an exhibit analyzing the financial exhibit offered in evidence by the respondents at the New York hearing. On January 5, 1948, the Department filed its brief in these proceedings, reiterating its position that such increases were not necessary in order to maintain respondents in sound financial position, in view of the fact that studies conducted by it indicated that Middle Atlantic carriers were earning at least a 20-percent return on their investment.

On April 20, 1948, however, respondents petitioned the Commission for discontinuance of the proceeding. As a consequence, the Commission, in an order dated May 28, 1948, granted their request, except with respect to the lawfulness of the arbitrary areas maintained by the respondents in New York. The investigation in this matter has been assigned for hearing in New York City on July 26, 1948.

D. Southern Territory - Increased Rates to, from, and within the South and Increased Rates within the South and between South-North

The rate increases involved in these proceedings were 20-percent increases on shipments weighing up to 2,000 pounds with a maximum of 20 cents per 100 pounds, 10 percent on shipments between 2,000 pounds and 5,000 pounds with a maximum of 10 cents per 100 pounds. The carriers also sought increases of 20 percent intraterritorially and 22-1/2 percent interterritorially between points in Official territory and points in Southern territory over the base rates in effect on March 17, 1942, which increases were permitted by the Commission on March 12, 1947. In addition, they asked a further increase of 15 percent both intraterritorially and interterritorially on shipments weighing less than 5,000 pounds. These new schedules became subjects of investigation in I&S M-2721 and MC-C-538.

Hearings were held in Atlanta beginning May 5, 1947, and June 30, 1947. The Division participated in these proceedings and presented evidence at the hearings to show that the increases were not necessary because, on the basis of the net profits, stockholders in these companies realized a return of 55 percent in 1946 and would receive an estimated return of 119 percent in 1947 on their capital stock holdings. On request of the respondents who preferred to cross-examine the Department's witness at a later date, the Examiner recessed the hearing until the last week in August, and later postponed it until October 1, 1947. In the interim period, the Southern motor carriers filed with the Commission a petition requesting that the proceedings be dismissed. In view of this development, the Commission postponed the hearing indefinitely pending action on the petition for dismissal. The Department vigorously protested this proposal, but on October 27, 1947, the Commission dismissed the proceeding, thereby permitting the increases to become effective indefinitely.

Early in December, the motor carriers in Southern territory filed tariffs proposing general increases in rates and charges ranging up to 10 percent, to be made effective on December 22, 1947. Although the Division and other interested parties filed protests to these tariffs, the Commission allowed them to become effective on December 22, 1947, without prior investigation and hearing.

E. Increased Rates in Middlewest Territory

The issue in this case is increases in rates of 20 percent intraterritorially and 22-1/2 percent interterritorially above the rates in effect on March 17, 1942. In addition to these increases, the carriers published a charge of 10 cents per 100 pounds on shipments weighing less than 5,000 pounds and 4 percent on truckloads and



volume shipments weighing more than 10,000 pounds, with a minimum of 2 cents per 100 pounds. The investigation of these increases was scheduled for hearing in Kansas City, beginning May 25, 1947. Evidence and exhibits submitted at this hearing by the Division were directed primarily at the financial condition of the Middlewest carriers to support the position that they were not in need of the rate increases under investigation. The Division's studies indicated that the average rate of return on investment was 29 percent. The return in 1947 was estimated to be at least three times this figure. Briefs were submitted in this case, that of the Department being filed on July 21, 1947.

On November 18, 1947, the Commission released the Examiner's proposed report recommending that the increases in question be granted, except as they apply to accessorial charges. The Department filed exceptions to this proposed report on December 8, 1947, recommending that the Commission reverse the findings of the Examiner and assign the proceeding for oral argument before the Commission.

The request for oral argument by the Department was granted, and on February 24, 1948, argument was heard by Division 2 of the Commission. This case is now awaiting decision by the Commission.

#### F. South Intra-Interterritorial 1948 Rate Increases

In March 1948, Southern motor common carriers filed with the Interstate Commerce Commission tariffs which substantially increased the existing level of rates. These tariffs, which, however, were suspended by the Commission in an order dated March 24, 1948, contain general increases in class rates of approximately 10 percent above those granted by the Commission on December 22, 1947, thus providing an over-all increase of about 20 percent and paralleling the increases granted the railroads in Ex Parte 166.

Upon request of the respondent motor carriers, the Commission vacated and set aside as of May 1, 1948, its order of March 24, 1948, but elected to continue the investigation, assigning the matter for hearing on June 16, 1948, at Atlanta, Ga. A further request from respondents, however, caused the hearing to be postponed until July 20, 1948. With reference to this postponement the Department of Agriculture did not object to a short deferment, but opposed the hearing being indefinitely set aside. Shortly after the new hearing date was set, a further postponement was requested by respondents, and, as a result of this request, the Commission addressed a communication to interested parties seeking their views regarding further deferment of the case. The Department answered this inquiry of June 21, 1948, stating that in its opinion the hearing should be held as scheduled. The request for this postponement by the respondents is still pending before the Commission.

G. Central States 1948 General Increases

In April 1948, Central States motor carriers filed with the Interstate Commerce Commission tariffs containing increased rates and charges to become effective on May 20, 1948. These tariffs were suspended by the Commission in an order identified as I&S M-2878, through June 8, 1948, but as is readily apparent, this suspension period falls far short of the full statutory period of 7 months. The new rates under investigation provided a 10-percent increase over the April 18 rates on shipments weighing 5,000 pounds, and added 20 cents per 100 pounds for shipments weighing less than 5,000 pounds. They are, of course, in addition to the general increase of 10 percent that was effective January 6, 1948.

In a letter dated May 28, 1948, the Department urged the Commission to extend the suspension period of the tariffs involved beyond June 8, 1948, and to require the carriers to prove the need for these increases. Furthermore, attention was called to the fact that many carriers would not apply the new rates, which fact indicated considerable doubt even on the part of the carriers as to the need of the increase. It appeared to the Department that if the Central States Bureau through tariff-publishing procedure were permitted to impose the increase upon these carriers, such procedure would seriously interfere with competition.

A short time later by an order of the Commission these new schedules were further suspended to July 14, 1948. At the same time it was indicated by the Commission that Central States Motor Freight Bureau was preparing to file supplements to become effective July 15, 1948, increasing the commodity rates in this territory. It is anticipated that the Commission will set this proceeding down for hearing in the near future.

H. Eggs - Motor Freight Classification Changes

A representative of the National Classification Board of the American Trucking Associations, Inc., requested the Division to assist the Board in the preparation of some sweeping changes it believed were necessary in the rules, regulations, and minimum weights applicable to shell eggs transported by motor carriers.

Some changes considered by the Classification Board would have placed an unreasonable burden upon all egg shippers. In addition thereto, it intended to eliminate the use of the single estimated weight on eggs of 53 pounds and establish a graduated scale of weights running from 45 pounds to 64 pounds on eggs packed in fiberboard cases, and from 48 pounds to 67 pounds on eggs packed in wooden cases.

Because of the far-reaching effects an action of this kind could have, the Division arranged for a joint meeting at Chicago



in March between representatives of producer, cooperative, and shipper interests and a representative of the National Classification Board. After hearing the reasons advanced by the trucking representatives, the representatives of this Division and the industry explained in detail the unworkable rules and regulations and the hardship they would impose upon the industry. This meeting aided the trucking representative to become better informed of the industry's requirements and desire for better cooperation, and resulted in a much modified proposal being docketed for public hearing.

A public hearing on the subject was held at Washington, D. C., on April 15, and a representative of this Division participated and made many recommendations and suggestions in the interest of the egg industry. Subsequent thereto the Division received Notice of Disposition of the subject by the National Classification Board. The notice contained reasonable changes and a recommendation for an advance of only 1 pound in the estimated weight as a measure of temporary relief, and stated that the changes to be adopted will be published to become effective on 90 days' notice in lieu of the usual 30-day statutory period. Wide distribution of the notice was made to the industry by the Division and as yet not a single expression has been received indicating dissatisfaction with the final results of the action.

#### IV. WATER CARRIER RATES

During the past fiscal year activities in the maritime and waterways fields have been centered on the problem of reviving and developing adequate domestic water services in the coastwise, intercoastal, river, lake and canal trades in order that farmers and distributors of agricultural products and farm supplies may again have the advantage of differentially lower freight rates comparable with those in effect before the war. Many obstacles are still present which prevent full restoration of prewar domestic water services to their former place in the transportation economy of the Nation for the waterborne movement of farm products and supplies.

The temporary authority granted by the Interstate Commerce Commission to the United States Maritime Commission to operate, through agents holding certificates or permits within the scope of their individual operating authority, domestic steamship services in the intercoastal, Atlantic, Atlantic-Gulf, and Pacific coastwise trades expired June 30, 1947, and Government operation of such services ceased on that date. Since cessation of domestic water services under Maritime Commission authority, several carriers holding certificates or permits issued by the Interstate Commerce Commission to engage in the transportation by water of commodities generally between ports along the Atlantic, Gulf of Mexico, and Pacific coasts, have endeavored to exercise the authority granted them by the Commission and reestablish their prewar services. Such

endeavors of water carriers have met with varying degrees of success. Recently the Interstate Commerce Commission authorized both rail and domestic water carriers to make substantial increases in their rates and charges, which will tend to alleviate the revenue difficulties of privately operated water carriers engaged in intercoastal and North Atlantic-Gulf services. In fact, it may be said that intercoastal water services are now adequate, and that services between North Atlantic and Gulf ports have been restored to a limited degree (certain ports having scheduled weekly sailings while other ports have no coastwise water service).

Services of carriers by water operating on lakes, rivers, and canals are generally adequate for the movement of agricultural products and farm supplies. A different situation, however, exists with respect to Atlantic and Pacific coastwise service. With minor exceptions, none of the prewar steamship services in these trades has been reestablished, due to spiraling operating costs and the freight rate structures of competing surface carriers, and as a result shipping facilities for coastwise waterborne traffic between ports on the Atlantic and Pacific are wholly inadequate. Operations on a prewar scale cannot be anticipated until there is an improvement in the relationship between costs and revenues. It is not believed that the aforementioned increases in all-rail freight rates, which form a ceiling for water rates, will be sufficient to attract common carriers by water to restore their prewar services in the Atlantic and Pacific coastwise trades.

A. Grain from Pacific Northwest to Portland, Oreg., and  
Vancouver, Wash.

The Department intervened in favor of the complainant - the Inland Navigation Company - which operates barges on the Columbia River in the States of Oregon and Washington. In its complaint the barge line petitioned the Interstate Commerce Commission to require the railroads to join the complainant in establishing joint through rail-barge routes and rates for the transportation of grain and petroleum on a differential basis below the existing all-rail rates. Hearings in this proceeding were held in Portland, Oreg., during July 1947, and February 1948. The Department participated in the hearings, presenting appropriate exhibits and testimony through a witness from this Division and counsel from the Office of the Solicitor. The Commission now has this proceeding under consideration.

B. Pacific Coast European Conference Agreement

As stated in a previous report, this was an investigation instituted by the United States Maritime Commission upon its own motion to determine (1) whether a proposed modification (Agreement No. 5200-2) of Pacific Coast European Conference Agreement (Agreement No. 5200)



increasing the admission fee of members from \$250 to \$5,000 should be approved; (2) whether Agreement No. 5200 should be canceled or modified because of the restrictions limiting membership to common carriers regularly engaged in the trade covered by the agreement and the exclusive patronage contracts (contract/non-contract rate system with retroactive penalty clause); and (3) whether the rule in Agreement No. 5200 requiring that decisions be determined by unanimous vote should be canceled or modified.

The Division intervened in opposition to certain provisions of the agreements, particularly the proposed increase in admission fees and the retroactive feature of the contract rate system; filed a brief of exceptions to the Examiner's proposed report; and presented oral argument before the Maritime Commission.

By report and order dated January 12, 1948, the Commission (1) ordered that Agreement No. 5200-2, increasing the admission fee, be disapproved; (2) found the retroactive penalty provisions of the contract rate system to be unlawful and the balance of the rate system to be lawful; and (3) found the unanimous voting rule to be lawful.

#### C. Water Competitive Railroad Rates and Practices

As previously reported, the Interstate Commerce Commission, upon consideration of a petition filed jointly by the United States Maritime Commission and the War Shipping Administration, and upon its own motion, instituted a proceeding of investigation to determine the reasonableness of certain transcontinental rail rates; intercoastal water rates; all-rail commodity rates between California, Oregon, and Washington; Pacific coastwise water rates; and all-water, water-rail, and rail-water rates between Pacific Coast ports and interior points.

The Department has taken an active part in two series of these cases involving transcontinental all-rail versus intercoastal steamship rates and all-rail versus water rates between points in California, Oregon, and Washington. Our interest in these proceedings was to protect the growers of huge quantities of agricultural products in the Pacific Coast States in transporting their produce to the heavy consuming markets, particularly in the East and along the Atlantic Seaboard.

Although an interim increase of approximately 10 percent was granted, the foregoing proceedings are still before the Commission.

#### V. MISCELLANEOUS ACTIVITIES

##### A. Service to Other Agencies

During the fiscal year ended June 30, 1948, 36 bureaus and agencies in the Department were supplied with 43,490 rates and with

other transportation information in response to numerous requests. Table 6 shows the number of rate quotations made for the individual offices within the Department for the past 12 months.

Table 6.--Rates furnished agencies of the Department

July 1, 1947 to June 30, 1948			
Agency		Rates	
		No.	
Office of the Secretary . . . . .	:		355
Agricultural Economics, Bureau of . . . . .	:		380
Agricultural Research Administration	:		
Administrator, Office of. . . . .	:	2	
Agricultural and Industrial Chemistry, Bureau of. . . . .	:	2	
Agricultural Research Center. . . . .	:	2	
Animal Industry, Bureau of. . . . .	:	7	
Dairy Industry, Bureau of . . . . .	:	5	
Experiment Stations, Office of. . . . .	:	5	
Human Nutrition and Home Economics, Bureau of . . . . .	:	3	
Plant Industry, Soils and Agricultural	:		
Engineering, Bureau of. . . . .	:	9	
	:		35
Budget and Finance, Office of:	:		
Division of Accounting. . . . .	:	3	
Division of Procurement and Supply Management . . . . .	:	3	
Division of Purchase, Sales and Traffic . . . . .	:	14	
	:		20
Extension Service . . . . .	:		1
Farmers Home Administration . . . . .	:		9
Federal Corp Insurance Corporation. . . . .	:		4,114
Food and Feed Conservation, Office of . . . . .	:		60
Foreign Agricultural Relations, Office of . . . . .	:		22
Forest Service. . . . .	:		18
Information, Office of. . . . .	:		245
Plant and Operations, Office of . . . . .	:		16
Production and Marketing Administration:	:		
Administrator, Office of. . . . .	:	4	
Agricultural Conservation Programs Branch . . . . .	:	14,860	
Budget and Management Branch. . . . .	:	1	
Cotton Branch. . . . .	:	9	
Dairy Branch . . . . .	:	1	
Fats and Oils Branch. . . . .	:	381	
Fiscal Branch . . . . .	:	6	
Fruit and Vegetable Branch. . . . .	:	930	
Grain Branch. . . . .	:	21,965	
Livestock Branch. . . . .	:	26	
Poultry Branch. . . . .	:	1	
Sugar Branch. . . . .	:	1	
Tobacco Branch. . . . .	:	1	
	:		38,186
Soil Conservation Service	:		11
Solicitor, Office of	:		18
Total - 36 agencies	:		43,490



On June 30, 1948, requests for approximately 5,000 rates remained unfilled. Because the Interstate Commerce Commission is permitting carriers to increase rates at short intervals it is anticipated that requests for the future will exceed those of the past year.

## B. Refrigerator Car Improvements

1. Tests of new refrigerator car. For the past 3 years this Division has cooperated with the fresh fruit and vegetable industry, the Association of American Railroads, and the private refrigerator car lines in designing an all-purpose refrigerator car that would give adequate protection to frozen foods, as well as fresh fruits and vegetables, and other perishable commodities. A member of our staff has been designated to attend the meetings and assist in solving the problems that have entered into the construction of such a car.

Approximately 20 transportation tests, under various types of refrigeration, ventilation, and heater service, have been conducted from various shipping sections of the country to markets on the Eastern Seaboard of the United States.

Reports on most of these tests have been published by the Association of American Railroads. Future tests may be conducted on heater service to determine the most efficient and economical type to be used.

2. Refrigeration - fan cars. For the past several years the private refrigerator car lines and the railroads have equipped 19,258 of their refrigerator cars with forced air circulating fans. These fans have proved to be a more efficient method for refrigeration, as well as for heater service, than the conventional bunker refrigerator cars.

The fans are powered by a roller mounted on a wheel of the car and are operated while the car is in motion. Shippers of fresh fruits and vegetables have had the privilege of using these fans while the car is in transit by showing on their bills of lading that the fans should be placed and remain in the "on" position from origin to destination.

The carriers, in their Perishable Protective Tariff, provided this service to the shippers under a rule which was recently canceled. At the present time there is no way for the shipper to know that the fans will be operated continuously from origin to destination while the car is in motion. The Division has requested the railroads to reinstate some rule that will be satisfactory to the railroads and the shippers, so that the shippers can be assured that when they order the fans to be operated in transit the carriers will assume responsibility and see that they are operated through to destination.

This matter is now pending with the railroads. It is hoped that this rule will be reinstated in the tariff shortly.

3. Split-absorption-refrigerator car. Last year the Division reported that satisfactory results were obtained on a test of the split-absorption method of refrigeration. An official report of this test was published and circulated to all interested parties during this fiscal year.

One of the major refrigerator car lines is now constructing eight cars equipped with this new system of refrigeration to be used as a pilot operation in order to determine the economies and efficiency of this method of refrigeration.





